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GERMANS ARE CHOOSING A CHANCELLOR

No Risk and No Change: Voters Are Reassured

By John Vinocur

Middle-of-the-road German politics, at its most excessively cautious, has three central commandments: Change nothing. Take no risks. Make no demands.

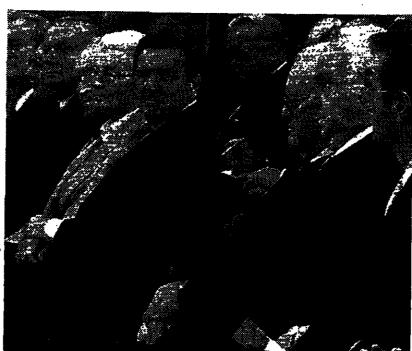
The rules about strategy and policy say you can present new faces, talk about programs and conjure up perspectives in an election campaign, but on the condition that there is not a word about increased risk, givebacks, individual obligations, a country that must experience some pain in redefining itself or a future that might be less relentlessly safe and secure.

Rhetorical excess apart, this is pretty much how it has been during the campaign for the main parties and their candidates for chancellor as Germans prepare to vote on Sunday. If basic government control remains in the hands of the Christian Democrats, the Social Democrats or both, they will come to office having proposed very little that is really new in a Germany that has been doing the same old thing, with declining success, for

In the quiet of their studies, German politicians like to say that the

circumstances here are not so terribly different than in most other risk-adverse places in Continental Europe. Sometimes, they even explain why this is so. The secret is, you can't get elected in Germany by offering basic change or proposing vast new effort. The polls insist this is true.

When the polling organization Infratest dimap asked the electorate this summer if it wanted Helmut Kohl or Gerhard Schroeder to embark on basic policy



Gerhard Schroeder, center, gazing at Helmut Kohl, second from right, in Parliament. Germans will choose their next chancellor on Sunday.

> changes, the answer from more than 60 percent came could strengthen the economy in the longer perback "no." A majority preferred "a few course corrections but no principal changes."

About the same time. Spiegel magazine sent the

The Social Democrats were leading by more than four points in a poll released Friday, 40.5 percent to the Christian Democrats' 36 percent.

Emnid opinion research group out to find out where German tolerance lay for reforms in the workplace and the pension and health system — the areas where critics of what was once the admired German model say the country has priced itself into 24th place in the world competitiveness rankings. It is a wage, labor cost and tax situation of such rigidity that the OECD says the 10.6 percent national unemployment rate can only be barely diminished over the next five

The poli's results showed that only three Germans in 10 would agree to

Special German election report continues on Pages 4 and 5.

work longer or give up a wage increase. Fewer than two in 10 would agree to greater individual participation in health care and just one in 10 to any cut in pensions.

In the poll results, there seemed to be evidence that no mainstream politician had succeeded in connecting the electorate's mind -- or more exactly, in attempting to connect it to the idea that individuals' giving

something back in the short term spective. Rather, reforming the German system was defined by 65 percent of the electorate as the surrender of its entitlements. In a culture profoundly uncomfortable with risk culture, this was something less than a mandate for change.

"The politician's dilemma in Germany is how to

See GERMANY, Page 5

AGENDA

U.S. Flies Ethnic Rival **Out of Liberian Capital**

MONROVIA, Liberia - The United States flew Roosevelt Johnson, the ethnic Krahn rival of President Charles Taylor, out of Liberia on Friday less than a week after he took refuge there, witnesses and a U.S. security official said.

A group of people boarded two helicopters that flew out of the embassy compound, witnesses said. A U.S. security official said Mr. Johnson had been among those flown out.

Earlier, an embassy security official said that helicopters were expected to fly Mr. Johnson, two aides and two young sons to Freetown, the capital of Sierra Leone.

A spokesman for Mr. Taylor said Thursday the government would not block an attempt by Washington to fly out Mr. Johnson, a former warlord whom Mr. Taylor accuses of treason.

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Riding the Tail of the Hurricane



An Italian tourist cycling Friday along the Havana seafront as hurricane Georges rolled away toward the Florida Keys, where it pounded the island chain with 105-mile-an-hour winds. Page 3.

Clinton Gets Support - but Allies Worry

By R.W. Apple Jr.
New York Times Service

WASHINGTON — Ask in Foggy Bottom, ask in Whitehall, ask on the Quai d'Orsay, ask at the Kremlin, and you get the same deeply discreet answer: No. of course, Bill Clinton's personal and political troubles have not impaired the capacity of the United States to conduct foreign policy.

But scratch a little deeper, push a little harder, and you discover that diplomats and politicians in most of the world's major nations are worried sick by the pectacle of a distracted president in Washington at a moment when, in their view at least, bold American leadership is all but indispensable.

"The world requires an end to this mawkish nonsense," said Christopher Patten, the last British governor of Hong Kong, a top-level Tory politician and a newly minted author who is traveling in the United States to promote his book,

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poke sticks through the bars at the United States," he added. "It makes us feel important. We only realize how much we need you when things go

wrong, like now."
Hubert Vedrine, the ANALYSIS French foreign minister, spoke of "a world that isn't getting any stronger, with 25 regional conflicts involving 40 countries, states in the process of disintegration, a spreading financial crisis."
He added: "What we need is strong

Most of the time Europeans like to leadership in all our countries, starting e sticks through the bars at the with the United States. For us, what is worrying is the guerrilla war between the Congress and the president, which

has been going on for a long time."

The ambassador in Washington of one of the closest allies of the United States, speaking on condition of an-onymity, used blunter language. He said, "You'd have to be deaf, dumb, blind and a mental defective not to see that Clinton has been weakened in his

See ALLIES, Page 7

U.S. Mood Shift Favors President

Poll Suggests Voters See Political Unfairness in Congress

By Richard L. Berke and Janet Elder New York Times Service

NEW YORK - President Bill Clinton's standing with Americans has rebounded nationwide in the days since the release and broadcast of his videotaped grand jury testimony, according to a New York Times/CBS News Poll. The poll also shows signs of a back-

lash against the Republican-controlled Congress and the House of Representatives' Judiciary Committee in particular as the committee presses forward with an impeachment inquiry.

By a clear majority, Americans said

they disapproved of the manner in which the Judiciary Committee had handled the matter. Committee members said they had released the tape of the president's testi-

mony, given Aug. 17, for the public's benefit, but 78 percent of respondents, and 65 percent of the Republicans, said it should have never have released.

The poll has a margin of sampling error of plus or minus three percentage People said they objected to the com-

mittee's prying into what they regard as

a private matter and said it was uncessary to make public the salacious details about sex in the videotape shown on television around the world. In addition, 65 percent of the re-spondents said Republicans in Congress were unfairly trying to weaken the pres-

ident and Democrats in general. Thirty-nine percent of the Republicans saw it that way as well. But even in the face of a turnabout for Mr. Clinton, the first glimpse of how the

sex scandal involving him might play



President Clinton after he signed a stop-gap budget bill Friday. Page 7.

out six weeks from now in the elections helps explain why Republicans are sticking with an aggressive strategy. The Republican strategy is popular with the party's core voters, and those

congressional elections Nov. 3. Appeals See POLLS, Page 7

are the people most likely to vote in the

Markets Rattled After Fund Rescue

Banks Warn Of Exposure

By Jonathan Gage

PARIS - The near collapse of one of Wall Street's most highly reputed hedge funds sent shudders through global financial markets for a second day Friday as more banks warned of losses, share prices tumbled in Asia and Europe, and regulators questioned why some investors roam so free of oversight.
On Wall Street and in other financial

centers, shock competed with a growing fear that the near-death experience of Long-Term Capital Management LP, one of the most aggressive but respected of the so-called hedge funds, would trigger a spiral of damage through the international financial markets.

"Wall Street is in shock," said David Hale, chief economist at Kemper Zurich Investments. "There is no doubt the damage has been tremendous."

Mr. Hale added: "What we have to worry about now is other hedge funds that have kept their losses hidden." LTCM, as it is known, was saved

Fall of Wall Street legend. Page 13.

only after the U.S. Federal Reserve Bank of New York summoned officials of 14 leading financial institutions and pushed them to cobble together a \$3.7 billion rescue package Wednesday that kept the fund afloat but which does not guarantee its survival.

On Friday, Credit Suisse, Europe's sixth-biggest bank, said it would be forced to write off \$55 million in losses connected with LTCM. And in Frankfurt, Dresdner Bank forecast a revenue loss of 240 million Deutsche marks (\$142.6 million) from an investment in the hedge fund

Their announcements came a day after UBS, the world's second-largest bank, disclosed that it would record a loss of up to 1 billion Swiss francs (\$718.9 million) because of investments in emerging markets and fallout from the failure of LTCM. On Friday, shares of UBS plunged to a 11-month low, as bank shares across Europe plummeted.

"There is worse to come," Matthew Czepliewicz, a bank analyst at Salomon Smith Barney Inc. in London, told Bloomberg News. "We are going to see a fairly steady stream of announcements of warnings, problems and retrenchments in coming quarters."

Another thing that seemed likely to

come, according to analysts and regulatory officials, were tougher rules on hedge funds and other investment vehicles that have proliferated in international financial markets. Hedge funds use borrowed money — often bank money - to place bets on movements in bond and stock markets and currencies. Profits can be huge, as LTCM's usually were, but losses can spin out of control.

In Zurich, the Swiss Federal Banking Commission demanded that UBS provide details of its involvement in LTCM. "What leads serious banks to involve themselves to such a degree in such a vehicle?" asked the commission's director, Daniel Zuberbuehler.

Britain's market regulator, the Financial Services Authority, ordered 55 banks and other financial institutions to disclose their exposure to hedge funds

in general and LTCM in particular.

"Fed supervision is likely to become much tougher on hedge funds," said Mr. Hale. "And banks themselves are

See HEDGE, Page 7

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Friday @ 4 P.M.

New Flu Pill

Wrests Days And Aches From Illness

SAN DIEGO - An experimental pill appears to reduce a typical four-day bout of the flu by about a day and a half while making patients feel better, too, researchers said Friday.

It is one of two closely related drugs being developed - one a pill. the other a nasal spray -- that could offer new weapons against the dis-

"This will get people back on their feet more quickly," said Dr. Frederick G. Hayden of the University of Virginia, one of the researchers.

The drugs appear to work against both major flu viruses. Two other medicines already available are ineffective against one type. If the new medicines win ap-

proval from the U.S. Food and Drug Administration, they could be available next year. The drugs under development

also could serve as backup to the flu vaccine. The researchers found a once-a-day dose could keep people from catching the illness at all. But doctors emphasized that the

new drugs would be not be a substitute for a flu shot, which would remain the most important defense against the disease. Instead, they might be useful for warding off the flu in those who fail to get the shot and for those who fail to respond to the shot. They also could help in years when shots are not highly effective against a particular

Results of the first large-scale testing on humans suggest that the pill, GS4104, reduces the severity of influenza by 40 percent and its duration by 33 percent if taken shortly after symptoms start. In studies financed by de-

velopers of the drug, Gilead Sciences Inc. and Hoffman-LaRoche Inc., doctors tested GS4104 on 629 patients in the United States. All were seen within a day and a half of

See FLU, Page 7

Worries Rise That Taleban May Try to Export Unrest

By Joseph Fitchett

PARIS - Behind the exchange of threats between Iran and the Afghan Taleban is a new geopolitical pivot: the ultimate control of Afghanistan.

After two decades as a bloody quagmire, the fractious land seems on the point of being united under the control of the fundamentalist Taleban, U.S. and European specialists said.

"Time is running out," said Olivier Roy, France's leading specialist on central Asia, before this fundamentalist group achieves a state free of any political compromises or power-sharing with their less militant rivals, now defeated.

The fear is that a Taleban-run Afghanistan will become the lannching pad for a new wave of destabilizing Islamic radicalism potentially more dangerous than the Iranian revolution.

The Taleban are Sunni Muslims, sharing the basic faith of the vast majority of people in Islamic countries, so their fundamentalist message could be contagious in the consciousness of nations such as Saudi Arabia and Pakistan. undermining the position of both these pro-U.S. governments. Because the Iranian mullahs belong

to the Shiite minority among Muslims,

Taleban faces new obstacles at home and abroad. Page 6.

their calls for revolution in the name of Islam were always suspect in the eyes of many Muslims.

'Now you've got the Taleban, a fresh generation of radicals and Sunnis to boot," a former CIA case officer said, who are challenging the Iranian revolution today and tomorrow will use

See ISLAM, Page 6



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CIA Reportedly Helped Uganda Foil Plot to Bomb Embassy

By Michael Grunwald ashington Post Service

WASHINGTON - American intelligence officers helped foil a plot last week by Islamic extremists to bomb the U.S. Embassy in Uganda, the most serious in an array of recent threats against American installations around the world, according to U.S. government

Ugandan authorities alerted by the central Intelligence Agency have detained 20 suspects in the case, including the two alleged ringleaders, who were arrested last week when they tried to enter the country from Kenya.

Those two men are believed to be associates of Osama bin Laden, an Islamic extremist who is suspected of orchestrating the bombings last month

of the U.S. embassies in Kenya and

American officials have investigated a flood of threats worldwide since the East Africa embassy bombings killed 265 people on Aug. 7, especially after retaliatory U.S. cruise missile attacks two weeks later against targets in Sudan and Afghanistan. On Thursday, German police deployed more than 100 officers to seal off the area around the U.S. Consulate in Hamburg after receiving information from a "serious source" that a terrorist attack was imminent.

Sources in several U.S. agencies said the Uganda plot was the most dangerous uncovered to date, but they offered little evidence other than the arrests to indicate the seriousness of the threat or the extent of Mr. bin Laden's alleged involvement. The Kampala embassy has

been closed out of concern for terrorism ers. The other suspects include the imam three times since the Aug 7. blasts, most recently last Monday. It was reopened Thursday for limited business, officials

Local press reports have claimed that Ugandan security forces thwarted an earlier plan to bomb the Kampala embassy in coordination with the other East Africa bombings. And after President Yoweri Museveni called Secretary of State Madeleine Albright to express support for the cruise missile attacks last month, at least 29 Ugandans were killed in bombings on three buses outside

More than a dozen FBI agents worked with the Ugandan Anti-Terrorism Squad to unravel the recent plot, assisting in the arrest of 18 other suspects in addition to the two alleged ringleadof a Kampala mosque, the treasurer of a local soccer team, a few local businessmen, a 15-year-old boy and an aid worker who has assisted southern Sudanese refugees. Those suspects have no apparent links to Mr. bin Laden but are sympathetic to his anti-American beliefs, the sources said. The FBI and the Ugandan police have seized a host of documents in raids on their homes and

Sources familiar with the alleged plot said the CIA warned local border authorities to be on the lookout for two ringleaders, who they said planned to direct the operation using local militants. U.S. prosecutors are considering charges against them, law enforcement

businesses, law enforcement sources

"Bin Laden clearly wanted to demonstrate to the world that he was still in business," a source said. "There was very credible information about this

On Wednesday, Amnesty International USA issued an alert calling on Ugandan officials to charge the suspects with specific crimes or let them go. Ugandan law requires that suspects be charged within 48 hours of their arrest, but Amnesty officials said that in the last year, a number of Muslims have been detained there without trials or charges, and that some have reported being whipped with electrical cable and beaten with iron bars.

Amnesty pointed out that all the suspects are believed to be Muslim and that some of them are well known in Kam-

Morocco Crash Leaves 38 Dead

The Associated Press

MADRID — A Spanish airliner crashed into a hill in northern Morocco on Friday, killing all 38 people aboard. Rescue workers have recovered 19 bodies so far, said an official of the regional government in Melilla, a Spanish enclave on the Mediterranean coast of Morocco.

The plane was carrying 34 passengers and four crew members to Melilla from the southern port city of Malaga. It went down in Moroccan territory about 18 kilometers (11 miles) north of Melilla as

it approached for landing.

The cause of the accident was not known, although visibility at the airport was said to be poor.
"It appears the plane crashed into a

hilltop," said the regional government chief of Melilla, Enrique Palacios, who is also mayor of the city.

A government official said the plane had broken into three pieces. The majority of the passengers were

Spaniards, although it is believed there were several Moroccans aboard, the Spanish press agency EFE said. Moroccan authorities are allowing Spanish ambulances to the crash site to

help with rescue efforts, officials said. The 86-seat, British-built BAe 146 plane belonged to a Spanish charter airline called Pauknair, which specializes in flights between Melilla and cities

in Spain proper. The flight between Melilla and Malaga takes about 30 minutes. The airline runs 55 of them per week. It was the first serious air crash involving a Spanish airline in more than 13 years.

Slovakia Begins A Crucial Election

BRATISLAVA - The 3.5 million eligible voters in Slovakia began casting ballots Friday in a two-day election in which Prime Minister Vladimir Meciar, accused of a "democratic deficit," is hop. ing to hold power.

Opposition parties are vying to defy predictions that Mr. Meciar's Movement for a Democratic Slovakia will emerge the biggest party. Slovakia has been turned down for early entry by both the European Union and NATO. (AFP)

Britons for Return Of Elgin Marbles

LONDON — A plurality of Britons would support the return of the Elgin Marbles to Greece, according to an opinion poll released Friday.

The Elgin Marbles are sculptures taken mainly from the Parthenon by English archaeologists in 1812.

Greece has been demanding their return for years.

(AP)

More Aid to Cut Up Russian Weapons

WASHINGTON - The U.S. House of Representatives approved Friday a sharp increase in funds to cut up or otherwise destroy Russian missiles, bombers and submarines.

It gave the Pentagon wide-ranging authority to purchase weapons in former Soviet nations to keep them from being sold or transferred to other countries.

German Is Jailed In Iraq Arms Deal

BERLIN - A German engineer suspected of selling nuclear technology to Iraq was ordered jailed Friday, a day after he returned home from Brazil and gave himself up so that he could visit his terminally ill mother.

Karl-Heinz Schaab, a fugitive since January 1996, was arrested at the Frankfurt airport Thursday after arriving on a Lufthansa flight.

The federal prosecutor, Kay Nehm, said Mr. Schaab, who has been under investigation for treason since 1995, is suspected of helping Iraq produce weapons grade uranium in 1989-90.

Crisis Erupts in Belgium Over Death of Deportee

By Barry James

BRUSSELS - The interior minister of Belgium has offered to resign over the death of young woman who was being forcibly deported to Africa, plunging the government Friday into a crisis following the second such resignation over police conduct in five

Prime Minister Luc Dehaene was reportedly asking the minister of interior, Louis Tobback, to reconsider his resignation letter, which was on the desk of

Dissidents Open Fire in Lesotho

MASERU, Lesotho - Dissident Lesotho soldiers opened fire on southera African intervention troops Friday, an army officer said, sparking fears of guerrilla warfare in and around this

battle-scarred capital. The dissidents disengaged their action when Southern African Development Community soldiers returned fire, the South African officer told reporters

in Maseru. The sound of gunfire, which had died down since Wednesday when the southern African troops secured key positions, could be heard once again Friday afternoon in the hills surrounding Masera.

Commanders of the intervention force believe the bulk of the Lesotho army fled to the hills when they were , routed from their bases on Wednesday.

The chief of the South African National Defense Force, General Siphiwe ia. Was omereo about u while touring Makonyane military base, scene of bloody fighting between Lesotho dissident soldiers and the intervention forces on Tuesday and Wednesday.

The southern African forces entered the country on Tuesday in response to a call by Prime Minister Pakalitha Mosisili to "rescue" Lesotho from an al-

A South African officer, Lieutenant Colonel Jurie Jordaan, told General Nyanda that the rebels had opened fire and that the southern African troops had returned fire.

He said intelligence sources asserted that a huge amount of weaponry had been stolen and was being used by dissidents after they staged a mutiny on Sept. 11 in which they ousted their seniors and appointed their own command.

The death of Semira Adamu, a 20ear-old Nigerian woman who said she fled a forced marriage to a man of 65, touched the nation - despite misgivings in Belgium about giving asylum to large numbers of immigrants from the developing world.

She died Tuesday after two police-man smothered her with a pillow to keep her quiet while awaiting takeoff on a Belgian Sabena airlines flight to Lome. A video taken by a third policeman showed one officer pressing the worn-an's head into a pillow across his knees, while his colleague pushed her from

Miss Adamu's ordeal lasted 20 minutes while the two policemen chatted and laughed. They have been charged with involuntarily man-

The video indicated no resistance by Miss Adamu, whose hands were tightly manacled behind her back and who was chained at the ankles. Sabena offered no explanation why

the airliner crew had allowed the woman to remain shackled, in contravention of international airline regulations that require passengers be able to reach emergency exits unaided. Mr. Tobback said the fact that one of the two officers had been disciplined

earlier this year for kicking a handcuffed prisoner made his resignation necessary, since he was directly responsible for the national gendamerie. Mr. Tobback, 60, who served as interior minister from 1988 to 1964, was

brought into the cabinet to carry out a wide-ranging reform of the police after the resignation of his predecessor, Johan Vande Lanotte. The latter was forced to step down after an accused pedophile child-mur-

derer, Marc Dutroux, slipped away from a lax police guard in a court building and The resignation threatened to desta-

bilize the governing majority of Socialists and Christian Democrats, since there was no obvious candidate among the Flemish Socialists to take Mr. Tob-The minister is considered one of the

closest allies of the prime minister's and observers said the affair could damage the government's credibility in elec-At the Brussels airport, immigration

officials staged a work-to-rule action, carefully inspecting every passport and causing delays. They said they were protesting the fact that the gendarmerie was being blamed for carrying out or-ders handed down by politicians.

Miss Adamu is to be buried in Belgium on Saturday.

Rushdie Plans to Write of Life in Hiding

Interior Minister Louis Tobback took responsibility in the refugee's death.

LONDON — A jubilant Salman Rushdie on Friday said his next book was likely to relate his experiences during the decade he spent hiding from an Iranian death threat.

"I've always wanted to write about this matter and I always felt the time to write about it was when I knew what the last chapter was," he said at a news conference the day after Britain and Iran struck a deal to

help ensure his security.
"I think that time might be very

close and it's a very hot story and most of you don't know it, so I look forward to telling it," he said. The book would chart Mr. Rush-

die's descent into his own personal hell in February 1989, when Iran's then supreme leader, the late Avatollah Ruhollah Khomeini, issued a fatwa, or religious edict, condemning the anthor to death for blasphemy against Islam in his book "The Satanic Verses." Mr. Rushdie, 51, and his backers campaigned tirelessly against the fatwa for almost a decade.

Clinton Sets Meetings With Netanyahu and Arafat

By Tim Weiner

WASHINGTON - President Bill Clinton will meet separately with the Israeli prime minister, Benjamin Netanyahu, and the Palestinian leader. Yasser Arafat, at the White House next week in the hope of reviving peace talks in the Middle East, White House and State Department officials said.

They would be the first such meetings in nearly nine months. There has been little visible progress in the peace process in two years.

But there have been signs in recent weeks that Mr. Netanyahn and Mr. Arafat might be easing their stances on aspects of a U.S.-sponsored plan for pashing the process ahead.

Secretary of State Madeleine Al-

leaders in New York on Saturday night and Sunday to try to persuade them to agree on the terms of an Israeli withdrawal from the West Bank.

Mrs. Albright said in New York on Thursday that "we keep making progress" in nudging the Israelis and the Palestinians toward an accord on the West Bank. American, Israeli and Palestinian officials believe that the personal intervention of Mr. Clinton might help move the process forward.

But diplomats said there was so much work to be done that there was little hope of closing a deal next week.

Mr. Clinton spoke separately by telephone Thursday with the two men to confirm the meetings, the officials said. "The president urged them to be flexible and urged them to make the tough the peace process, a senior administration official said.

Mr. Netanyahu is tentatively scheduled to see the president on Monday; Mr. Arafat is to meet with Mr. Clinton later

The United States is seeking a gradual Israeli pullback from the West Bank, allowing an increasing Palestinian control of the area. A proposed compromise calls for the two sides to agree on an Israeli withdrawal from an additional 13 percent of the West Bank.

Israel is thought to be on the verge of agreeing with the Palestinian Authority to withdraw its troops from this land, on the condition that 3 percent of the West Bank will become a nature preserve or a

national park. On this issue, among others standing

Jerusalem and the size and shape of the land under the Palestinian Authority's control, Mrs. Albright hopes "to lock in as much progress as we can" in weekend discussions with the two leaders, a senior Clinton administration official said.

Another issue that needs to be resolved is an Israeli demand for concrete counterterrorism commitments from the Palestinian Authority. The senior official in Israel of the U.S. Central Intelligence Agency has been serving as a mediator on this issue, working with the Palestinian and Israeli security services on counterterrorism concerns.

No accord has been reported, however. And there are equally thorny interim issues that must be resolved, including how freely Palestinians may travel between the West Bank and Gaza Strip.

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TRAVEL UPDATE

Copenhagen Link to Open

COPENHAGEN (AP) — A high-speed train link between Copenhagen's international airport and city center opens Sunday.

The train, running from Copenhagen's central milroad station to a new air terminal that opened this week at Kastrup airport, is to make the 18kilometer (11-mile) trip in six minutes with a fare of 16.5 kroner (\$2.60).

Kastrup has become northern Europe's busiest airport, with 17 million passengers last year, and its importance is expected to grow as Copenhagen becomes more closely linked with the rest of Scandinavia and with the European Continent. A road link between the island on which Copenhagen sits and the Continent was opened this summer.

India are the most hazardous in Asia, while roads in Hong Kong, famous for its hurried pace, are full of speeders, according to a survey released Friday.

China, India and South Korea have the most

langerous streets among 11 Asian countries studied in the four-month survey. Japan's roads were

The two Mexican agents, part of an anti-drug unit that works closely with U.S. officials, were preparing to buy a ton of marijuana from Tijuana traffickers as part of a buy-and-bust operation when they were arrested by Baja California state policemen who were summoned by one of the medium.

documents in court files here.
"The whole thing smells," said an

Several U.S. officials portrayed the arrest as the latest example of how pervasive corruption frustrates attempts to work with Mexican law enforcement. The U.S. officials are particularly per-

New York Times Service

lice in arresting men who are, tech-

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North America

Huricane Georges will be
Ocuty and cool with personant of the personant four the north-central Gulf of Mexico Sunday; future Isles and northern France aurashne in Beijing Saarritain, but the storm could through Tuesday. Mostly Saurday and warm in Seoul threaten the coast from could through Tuesday. Mostly Saurday; then showers are kiely as a front moves are kiely as a front moves in the Northeast Sunday; cold ecross the northern showers in Tolyo Saturday; then showers half of Scandinavia with sunshine. Monsoon rain futures. Dry and mild in wall continue to soak southment of the Plains.

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Asia's Hazardous Streets HONG KONG (AP) - The streets of China and

Greek civil aviation employees returned to work Friday after an Athens court ruled that their planned four-day strike illegal. The strike, which began Thursday, caused flight delays and cancellations in airports around the country. (AP)

Mexican Drug Agents Held for 'Kidnapping'

TIJUANA, Mexico - In a new case raising friction between American and Mexican law enforcement officials, two Mexican drug enforcement agents are in jail here on kidnapping charges that appear to have been trumped up by corrupt police officers working with traffickers.

summoned by one of the traffickers.
The traffickers, a father and son, have

made protection payments to the state police, according to sworn testimony and Mexican and American government American official familiar with the case.

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KEY WEST, Florida — Leaving a death toll of more than 300 in the Caribbean, Hurricane Georges on Friday roared across the fragile Florida Keys.

The 105-mile-an-hour (170-kph) winds sent waves crashing onto streets, toppled trees and knocked out power. Shelters and hotels from Miami to Orlando filled up after more than 1.2 million people from Key West to Tampa were urged, or even ordered, to leave coastal and low-lying areas and mobile

homes. The storm killed at least 200 people in the Dominican Republic, 87 in Haiti, and several others in Cuba, Puerto Rico, Guateno Nevis.
A ha fronds way ir Guateloupe, Antigua and St. Kitts and

A hail of leaves, branches and palm fronds blew across the Overseas High-way in Marathon, in the middle Keys. At several points, water washed across the two-lane highway connecting

the slender strand of islands. The hurricane invaded the Florida Keys with winds that made the surf look like boiling water.

Roaring seas crashed on top of a landmark red-and-yellow buoy stuck in concrete that marks the southernmost point in the continental United States. Waves smashed into Keys Harmas exposed to the Atlantic, rocking boats and sending choppy waves cascading over docks and beaches.

The center of the sprawling storm

The center of the sprawling storm was passing near Key West around midday — further west than earlier ex-pected.

Residents reported briefly seeing sunshine, indicating a section of the large eye was right over the city.

Several hours more of violent weather was expected on the back side of the

The slight shift to the west meant a milder storm for the state's densely populated Atlantic coast, but "is probably the worst possible thing" for Key West, said Jerry Jarrell, director of the National Hurricane Center in Miami.

The storm's harshest attack has been on the eastern edge.

Even without the hurricane-force winds that had been feared some

150,000 people lost power as the edges of the storm lashed the Miami and Fort Lauderdale areas.

The smell of seawater spread 10 miles inland and bands of slanting rain repeatedly shot ashore.

Key West, a famed artists' colony that once was home to Ernest Hemingway and Tennessee Williams and the popular singer Jimmy Buffett, is an island at the end of a 100-mile chain of low-lying islands off the southern tip of

The island's Old Town is crowded with old wooden houses, many built by ship's carpenters when Key West was a bustling seaport and center of com-merce between the United States and

A storm surge of 7 feet was forecast for the Keys. Key West's top elevation is only 14 feet, and some other islands

top out at 7 feet.
"It looks like Noah's Ark in here," Vince Taporowski said as he watched the roiling water from his home on Big

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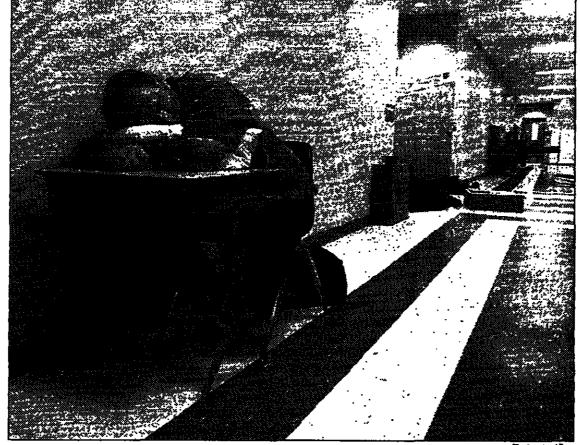
MARK.

Pine Key, north of Key West. · He said that water was blowing through cracks in the windows and that his home had lost power.

Mr. Taporowski and his family were among thousands of residents who stayed in the Keys despite the evacnation order.

"We order them to leave and if they decide to stay they're on their own, said Becky Herrin, the Keys emergency management spokeswoman. "There's nothing we can do for them if they

A hurricane warning was posted for the Keys and the Gulf Coast north to Longboat Key, about 40 miles south of (AP, AFP, Reuters)



An evacuee resting in a shelter in Marathon, Florida, on Friday as 105-mile-an-hour winds blew outside.

POLITICAL NOTES

High-Tech High-Rollers Pull a Plug on Clinton

WASHINGTON — For years, Mitchell Kertzman, a high-tech CEO, was one of those big Democratic donors who could be counted on to buy tickets whenever President Bill Clinton came to Silicon Valley for a top-dollar fund-raising dinner. In the 1996 election cycle, he contributed more than \$150,000 to the re-election coffers of Mr. Clinton and other Democrats. But now, when asked to attend a fund-raiser like the one Mr. Clinton was to headline for the Democratic National Committee in Silicon Valley on Friday night, he finds he cannot sign the checks anymore.

Mr. Clinton "has become ineffective in his job," Mr. Kertzman said. "You need someone who is effective — not two years of Clinton abuse by the Republicans."

A small but growing number of opulent accidents over water to seek not of donors in Silicon Valley — one of the nomic but also punitive damages. president's strongest bases of support are also having second thoughts. Organizers for the Friday night fund-raiser said tickets, at \$25,000 per couple, sold with difficulty. According to one political operative, several midlevel employees at technical transfer of the property nology companies were offered free tickets to fill out the tables.

Senate Clears Flights

parks quiet by limiting overflights. The legislation renews Federal Aviation Administration programs for two years and provides \$10.1 billion in fiscal 1999 for

safety, security and building projects.

The bill, which passed with only one dissenting note, must be reconciled with a similar bill process. ilar bill passed by the House last month and then signed into law by the beginning of the fiscal year on Oct. 1 in order to avoid delays

in grants for airport improvement projects. It would provide grants to help communities that have lost services as a result of deregulation. And to increase flights to undeserved areas, it increases flights in and out of four major airports: O'Hare in Chica-go, La Guardia and JFK in New York, and

Reagan National in Washington. The bill would require commercial air tour operators seeking to fly over parks like the Grand Canyon to meet certain conditions. Language also would revise a 1920 maritime law to allow families of victims of accidents over water to seek not only eco-

Quote/Unquote

Rich Galen, an adviser to the speaker of the House, Newt Gingrich, saying Demo-crats should not be too heartened by polls showing a bounce for President Clinton: "It's like they're in the eye of the hurricane. I wouldn't take the plywood down from the windows just yet." And from Christina WASHINGTON — The Senate passed a major aviation bill Friday that would increase flights at some of the busiest airports while trying to keep the skies over national pin this on Newt Gingrich."

Wartin, a spokeswoman for the speaker, as Democrats spotlight his role in the controversy: "They are a few fries short of a Happy Meal if they think they're going to pin this on Newt Gingrich."

Poverty Falls as Average U.S. Income Rises

By Barbara Vobejda
Washington Post Service

WASHINGTON - Income for the typical American household rose at nearly twice the rate of inflation in 1997 while the percentage of people in poverty declined, the Census Bureau has reported, pointing to the widespread benefits of a growing economy across the pop-

The income and poverty figures returned to levels the United States has not seen since before the last recession nearly a decade ago, with the median household income rising for the third consecutive year. The shrinking poverty rate was driven by declines among African Americans and Hispanics, with poverty at an all-time low among blacks.

Overall, the median household income adjusted for inflation rose 1.9 percent between 1996 and 1997, to \$37,005, while the poverty rate fell from 13.7 percent to 13.3 percent. Poverty is defined as an income of \$16,400 or less for a family of four.

Among ethnic groups, Asians had the highest median household income: \$45,249, compared to \$38,972 for whites, \$26,628 for

Hispanics and \$25,050 for African Ameri-

The findings in the government's annual in-come report were considered significant because economists had feared that the benefits from the nation's long-running economic expansion were flowing overwhelmingly to the rich.

The new figures show that income inequality did not increase and that virtually all sectors of the population — across races, among both single mothers and married couples, and in most geographic regions — are enjoying some positive returns from the continuing job growth and low inflation. "It's a cliché, but a rising tide raises all

ships," said Henry Aaron, an economist at the Brookings Institution. "This has been such a smashingly good economy that if poverty didn't go down, it would be a very disturbing sign that inequality was headed steadily up-

While the gap between rich and poor did not widen between 1996 and last year, it nevertheless remains an issue of particular concern to many Americans. And the new figures underscore the problem: Households in the top fifth earned nearly half of the national income,

while the share going to the poorest fifth was less than 4 percent.

Unlike many other economic indicators, the figures released Thursday, collected from a sample of 50,000 households across the United States, provide a window on how groups within the population are faring. Children, for example, who make up 26 percent of the population, account for 40 percent of the American

While the poverty rate among children did not change last year, the rate among African Americans fell by 2 percentage points, to 26.5 percent — a drop of 600,000 people. And the figure to 27 spanses dropped 2.3 percentage points, to 27.1 percent.

Those rates remain high relative to the population generally, but economists see the declines as evidence that in the current tight labor market, employers are reaching out to workers who are often overlooked in a less vibrant

It is not just the poorest minorities who are faring better: The median income in households headed by an African American rose 4.3 percent, and for Hispanics it rose 4.5 percent, while for whites it increased 2.5 percent.

Monday

HEALTH/SCIENCE

With a wide range of topics from technology to space exploration, from recent medical discoveries to how the human brain functions, this in-depth feature brings up-to-date information scientific and physical developments in the intriguing worlds of health and science.

Every Monday in the International Herald Tribune.



About the Editor

"It's Easy to Become a Millionaire,

But to Become a Billionaire You

Need an Astrologer"

This was once stated to a newspaper

Today there are many fund managers

An international daily newspaper

Away From Politics

• The Year 2000 computer glitch could stop medical devices such as heart monitors and electrocardiograph machines on Jan. 1, 2000, federal regulators said, but they have not yet found out from manufacturers how many.

• The Environmental Protection Agency ordered 22 Eastern states to cut output of smogforming ozone by 28 percent region-wide. (\overrightarrow{WP})

• The Treasury Department began circulating \$40 billion worth of new \$20 bills designed to be much more difficult to counterfeit.

• The Centers for Disease Control said improved diagnosis and treatment contributed to a drop of more than a third in infant deaths because of birth defects between 1980 and 1995.

 A Wisconsin transplant team survived a smallplane crash, but a donor heart and lung were left unfit for two patients waiting in Madison. (AP)

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"Dow Falls October 21-28, 1998"

There Will Be a Wild Ride on the Downside. The Market Recovers Very Slowly" Rebecca Nolan, Editor of FINANCIAL ASTROLOGY.

According to Rebecca Nolan, Editor of FINANCIAL ASTROLOGY newsletter, astrological indicators show a strong downside correction on the D.J. between October 21-28. So be alert,

This will be caused by a combination of declining currencies, lower corporate earnings and the economic crisis in Japan. The market will recover, but slowly, and we're likely to see a bearmarket for at least 4 months.

> Learn the Turning Points **BEFORE They Happen**

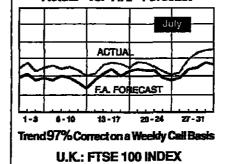
FINANCIAL ASTROLOGY puts you currencies and in 18 commodity futures forecast in every issue. You can read forecast charts showing the daily trends over the next 3 month period in indexes, currencies, commodities and U.S. Treasury Bonds, plus commentaries on what's ahead in these markets.

Remarkable Track Record

Rebecca Nolan's track record is remarkable. The methods she uses to forecast trends on the D.J. and other major markets may be unconventional but they certainly beat more traditional methods used by financial analysts you read in the newspapers. As the "Asian Wall Street Journal" stated: "Don't confuse Rebecca Nolan's market forecasts with "hocus pocus". Her investment advice is based on mathematical techniques, which she has spent over 20 years perfecting!" Here are some of her July forecasts

from the last issue showing the forecast daily movements and her <u>actual</u> accuracy percentage on a weekly trend basis. **U.S. TREASURY BONDS**

"Actual" vs. F.A. "Forecast"



"Actual" vs. F.A. "Forecast"

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Trend 88% Correct on a Weekly Call Basis

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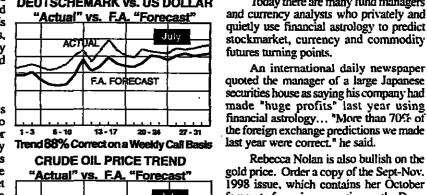
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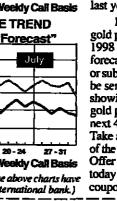
JAPANESE YEN vs. US DOLLAR "Actuai" vs. F.A. "Forecast" Rebecca Nolan is a mathematician and financial astrol She taught mathematics for many years at U.S. universities. In 1990 when she visited Hong Kong, she was persuaded by certain well-known businessmen there to accept chemts. She ACTUAL certain weat-amount nutrities the recept chemis. She now consults regularly to several Heads of State and wealthy investors and businessmen. She is featured regularly in megazanes and newspapers and has appeared on radio and television. She is a member of the 30,000 strong American Federation of Astrologers (AFA).

1-3 6-10 13-17 20-24 27-31 Trend 93% Correct on a Weekly Call Basis (On the obove currency chart, and the chart shown below, a rising trend line shows a weakening in

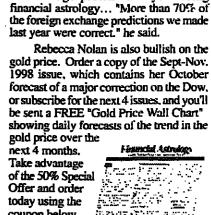
in a more powerful position than ever the currency stated against the U.S. dollar, A before to profit from turning points on 19 falling trend line shows a strengthening of the major stockmarket indexes, 6 major currency against the U.S. dollar). reporter by J.P. Morgan, who founded J.P. Morgan & Co., and was one of the most successful investors in history. **DEUTSCHEMARK vs. US DOLLAR**



Trend 90% Correct on a Weekly Call Basis (The forecast accuracy of all the above charts have today using the been checked by a leading international bank.)



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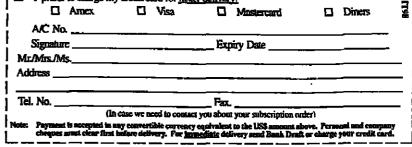


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Ethics Inquiry Said to Clear UN Appointee

By Philip Shenon
New York Tunes Service

UNITED NATIONS, New York - The lawyer for Richard Holbrooke, whose nom-ination as the U.S. representative to the United Nations has been sidetracked by a federal ethics investigation, said the inquiry was nearly over and that investigators had found nothing that should stop the nomination from proceeding. The lawyer, Richard Beat-

tie, said Thursday that the Justice Department had advised him that the investigation focused solely on whether Mr. Holbrooke had benefited n illegal contacts with his former State Department colleagues after he left in 1996 to become vice chairman of Credit Suisse First Boston, a New York-based investment banking furn. In 1995, when he was an

assistant secretary of state, Mr. Holbrooke asked the U.S. Embassy in Hungary to withdraw its exclusive support for a different investment banking firm, Salomon Brothers, for a multimillion-dollar consulting contract with the Hungarian government. Credit Suisse ultimately won the contract. Mr. Beattie said a Justice

Department official had as-

sured him that the investiga-Lition was expected to end within a few weeks. A spokesman

for the Justice Department,

however, had no comment on the timing or outcome of the

The Hanging Bridge at Rangamati The colourful tribes The unspoiled nature The traditional tribal flair You haven't seen anything till you've experienced the sights,

....and you thought you'd seen it all!

By John Vinocur International Herald Tribuni

DRESDEN — Throughout their campaigns, Helmut Kohl and Gerhard Schroeder kept clear of the issue of emerging right-wing extremism with an agility they usually reserved for avoiding specifics on how they would create new jobs, save money and sustain Germany's enormous social welfare system all at the same time.

Somebody noticed. Roman Herzog, the federal president who last year shook the Germans by telling them they were sick with self-indulgence and institu-tionalized timidity, said midway through the campaign that the democratic parties had "to be much more courageous in going up against right-wing radicalism than they have so far."

His remark had little discernible effect. The rise of a new right-wing extremism, centered in the former East Germany, in fact remained a kind of Bermuda Triangle of German electioneering, an uncertain and reputedly disastrous place where no wise campaign captain wanted to steer. However much violence against foreigners had increased in some parts of the old German Communist landscape, and however much the scores of the region's rightwing extremist parties were predicted to grow, Mr. Kohl and Mr. Schroeder behaved as if they wanted to navigate around a danger zone where there were votes to lose and few to win.

"Let's say they treated it as a sec-ondary issue," said Mike Schmeitzner, a German researcher specializing in the growth of right-wing radicalism at the Hannah Arendt Institute of the Technical University of Dresden. "The candidates wanted to come over as firm guys on a whole lot of issues including reigners. Their clientele in what was called the working class is a problem. Their instincts are someplace between the Christian Democrats, Social Democrats and the radical right and that's difficult to manage.

While condemning right-wing ex-tremism, neither candidate proposed anything like a full-blown campaign position on the subject meant to attract

wide attention among voters.

Rather, the calculation of both mainstream parties seemed to be that if the radical right would very likely enter the Mecklenburg regional Parliament in



entation in the Bundestag. In the narrowest vote-counting perspective, this made dwelling on the ugliness of the development in Eastern Germany a risk that need not to be taken.

It was an approach that collided with an increasingly alarmed notion of the growth of right-wing radicalism over the last year. Figures on violent attacks on foreigners have increased in the former East Germany, along with membership in extremist organizations. In the single election this year in the eastern part of the country, the extremist Schwerin, its internal squabbling would German People's Union, which is cumstances vary greatly from former keep it from winning national repres- known as the DVU, entered the Saxony East German town to town, but he in-

Anhalt regional Parliament with 12.6 percent of the vote, well over double the score predicted for it in the polls.

"Right-wing extremist violence exists in the West, too," the weekly Die Zeit wrote in a front-page editorial two weeks ago, "but in contrast to the new states, it isn't embedded in an everyday right-wing extremist culture. To be right-wing, nationalistic and against foreigners is plain normal for many East

German young people today."
Mr. Schmeitzner, who is 30 years old and grew up in Dresden, believed cir-



The two candidates for chancellor of Germany, Helmut Kohl, left, and Gerhard Schroeder, demonstrating their style on the campaign trail as Sunday's parliamentary elections neared.

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sisted, "Nobody would be enormously horrified now if you told your friends on the job that you were voting DVU."

The DVU is one of three extremist

parties with some degree of resonance on the ballot in various parts of the country. With extensive funding from Gerhard Frey, a real estate developer and publisher based in Munich, the DVU has created a wide publicity campaign that denies any links to Nazi ideology, violence or skinheads. The party is described by Mr. Schmeitzner as programmatically vague and authoritarian,

anti-foreigner and anti-Semitic.

Mr. Schmeitzner said he thought the National Party of Germany, known as the NPD, had much greater vitality and deeper penetration into the East German youth scene, with its own schools and training groups attracting skinheads to the party. The NPD also renounces violence, but this position seems largely a

A third group is the Republikaner, based in southwestern Germany and spiritual allies of France's National Front. They scored poorly in Bavaria's regional election this month and seem to be a diminished force, without support in the East, where the combined votegathering potential of the two other parties is usually estimated at between

12 and 15 percent. The three parties regard one another with scorn, and their incapacity to band together undercuts, for the time being, their chances of winning national representation.

Explanations for the rise of the radical right in the old East Germany are the keys to why the mainstream candidates found so little yield in taking aim at the subject. Jobiessness is an obvious general background factor, but some studies show that the groups' new young members usually have jobs. Rather, they appear to be reacting to what is perceived as an arrogant West German attitude towards them, responding with statements of contempt for what they

regard as a soft, money-obsessed state.

In a region where close to two-thirds of the population does not identify with the state and democratic roots are minimal, the extremist right's profoundly negative vision of society is constantly reinforced in broad segments of the population through the theses of the Party of Democratic Socialism, the renamed Communist Party, which is expected to perform strongly in the former East Germany, winning up to 20 percent of the

Going after the roots of the problem means acknowledging the extent of the nation's partial failure, almost 10 years

after the fall of the Berlin Wall, to bring the two Germanys together in each other's mind and affections. The candidates stayed away from what clearly would not be an upbeat message. Since foreigners' voting rights, citizenship and integration into German life in the west are also an uncomfortable issue the democratic parties in fact often wound up encouraging the extremist right with appeals for law-and-order that could legitimize anti-foreigner at!

During the campaign, Mr. Schroeder indeed attacked the radical right, but he found himself able to attract much more attention by insisting that he would have no tolerance for foreign criminals.

As for the chancellor, who once refused to go to the funeral of a Turk killed in a firebomb attack because he did not approve of "graveyard tourism," the message to campaign audiences time and again was that Germans are the most neighborly of peoples and wonderful hosts.

But the applause line came else where. "You invite people into your house," Mr. Kohl often said, "but you don't expect them to leave taking the furniture." An imprecise formulation, but few people seemed to miss the

Kohl and Schroeder Woo Undecided Voters as Polls Indicate Close Result

One in 5 Will Decide Only at the Ballot Box

By William Drozdiak Washington Post Service

BERLIN — With the election Sun-ay shaping up as the tightest one in The Social Democrats, who have atday shaping up as the tightest one in modern German history, Chancellor Helmut Kohi and his Social Democratic challenger, Gerhard Schroeder, sought Friday to court the large pool of floating voters who may decide the destiny of Europe's largest nation.

While opinion polls still give a slight edge to the opposition Social Democrats, they also say that at least one in five among Germany's 60 million voters will remain undecided until the

With the outcome so unpredictable, the chancellor and his opponent engaged in late politicking, hoping to sway enough votes to swing the election.

"Everything is wide open, it is fascinating and exciting, like a football game in the last minute," said Peter Loesche, a political scientist at Goettingen University. Mr. Kohl and his supporters hailed

forecasts that Germany's jobless total may soon dip below the critical 4 million threshold as proof that the economy

is reviving.
"We have broken the sound barrier, and that is good news for our country, said Otto Hauser, spokesman for Mr. Kohl's center-right government in

Germany's high unemployment — about 10.5 percent of the work force is considered by 9 out of 10 voters to be

tacked Mr. Kohl as "the chancellor of unemployment" throughout the campaign, insisted that his government was fudging the figures in a desperate ploy to capture votes.
"The speculation about the latest un-

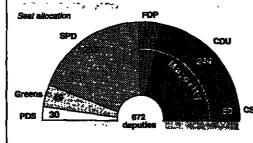
employment figures is just not serious," said Walter Riester, who is in line to become labor minister if the Social Democrats emerge from the voting as the largest party and form the next gov-

Mr. Schroeder held his final rally in East Berlin, where his party is battling to keep the reformed Communists, now known as the Party of Democratic Socialism, out of the next Parliament. A party secures a place in Parliament if it comes out on top in at least three districts or wins more than 5 percent of all votes.

The fate of the smaller parties including the Greens, the Free Democrats and the Party of Democratic Socialism --has compounded the uncertainty about who will lead the next government. Since neither the Christian Democrats nor the Social Democrats can hope to achieve an absolute majority to rule on their own, they will be obliged to seek a coalition

If the reformed Communists make it

Germany Goes to the Polis



The Christian Democratic Union has ruled Germany, alone or in coalition, for much of the federal republic's existence. It has a strong orientation towards Europe and NATO and has provided four of the stx ostwar chancellors: Konrad Adenauer, Ludwig Erhard, Kurt Georg Kiesinger and Helmut Kohi. The Christian

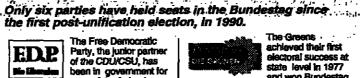
Social Union exists only in Bavaria but influences national politics through its alliance with the CDU.

republic's history, in coelition either with its present partners or with the SPD, it considers itself an essential corrective in its partnership with either of the major parties. The Social Democratic Party, or SPD, is Germany's oldest party, with roots stretching back to the General German SPD

The Free Democratic

Party, the junior partner of the CDU/CSU, has

ormed in 1863. Reorganized after 1945, it entered into a "grand coalition" with the CDU/CSU in 1966. Willy Brandt became Germany's first SPD chancellor in 1969, and was followed by Helmut Schmidt in 1974. In March it designated Gerhard Schroeder its official candidate for chancellor.



achieved their first electoral success at state level in 1977

representation. In 1983. The party is a grassroots formation that has become an established presence in the German partnership with the East German Allianz '90, in 1994 the Greens won 49 seats, and they form part of several

DDS
The Fally Democratic Socialism is the newest Bundest

party, having evolved out of the former Socialist Unity Party, the Communist state party of the former East Germany. Its membership is almost exclusively East German, though the party is trying to establish a greater Western presence.

Social Democratic government.
While Mr. Kohl has acknowledged

"We need a strong government and a strong opposition," Mr. Kohl said in a television interview Thursday. "That is

the Social Democrats.

that a grand coalition is "possible in principle," he has repeatedly insisted he would quit politics rather than participate in a broad governing alliance with

the normal play of forces in a democ-

racy. You can't have 90 percent of Parliament inside the government. A grant coalition would be bad because nothing useful would come out of it."

Mr. Schroeder, however, says he is willing to govern with the Christian Democrats even if much of his party an alliance with the Greens. Mr. Schroeder did not enjoy raling in tandem with the Greens during his first four years as governor of Lower Saxony and he has told close friends he would dread the prospect of having to work with them again as chancellor.

For Mr. Schroeder, the prospect of ruling with the Christian Democrats would provide an opportunity to enact the "new middle" programs that would promote the kind of innovative reforms he believes are necessary to keep Ger-

many competitive. But many of those ideas arouse suspicion in his own party, especially among its rank-and-file working class voters and anti-capitalist intellectuals:

Mr. Schroeder has vowed that he would prefer to return to his position as governor of Lower Saxony rather than accept any government post other than

chancellor.
After a long and heated campaign that has been personalized as a head-to-head duel between Mr. Kohl and Mr. Schroeder, it would become one of the more enduring ironies of German politics if neither man got the chancellor's job and each abandoned the nation's leadership to his supporting cast.

Main Parties Rediscover the East, Where Kingmakers Live in Anger

By John Schmid ional Herald Tribus

DRESDEN, Germany --- As wealthier West Germans nervously look on, their countrymen in the formerly Communist East are expected to determine the outcome of the elections Sunday.

Long ignored by Bonn's political elite on both the left and right, burghers - the citizens of the "other" Germany - have assumed the critical role of swing voters, giving them a collective political weight that is disproportionately heavier than the struggling region's economic importance would suggest, strategists in both big parties

agree.
"The East Decides the Election" declared the cover of the influential Der

Spiegel newsmagazine last week. The more the race for chancellor has tightened over the last month into nearly a neck-to-neck duel between Helmut Kohl and his challenger, Gerhard Schroeder, the more the Easterners be-

come kingmakers. Not surprisingly, the main Westernbased parties appear to have redis-covered their admiration for the 17 million voters in the East, courting them at

As both candidates redoubled their efforts and appearances in the East, Mr. Kohl pumped taxpayer funds into makework programs to artificially lower the East's imemployment rate to 17.1 percent in August from more than 21 per-

cent at the start of the year. Few care to predict with confidence

They rank as the nation's most unpredictable and erratic voters, even though they comprise only a fifth of the German electorate. At 31 percent, undecided voters in the East outnumber the fluid 20 percent of undecided voters in the West, according to the independent Emnid polling institute.

The vote on Sunday is only the third national election since the Berlin Wall fell in November 1989, giving East Germans relatively limited experience with ballot boxes and traditional beer-andsausage campaign rallies. To the dismay of pollsters, few in the East have party loyalties and could vote for the far left or far right out of protest.

Tapping into those votes for Western-based politicians is not easy.

Because of the failure of "inner unification," East Germans often frame issues differently than do their countrymen in Bonn and the West.

"It is the phenomenon of hurt pride and disillusionment," said an Easternborn strategist for the opposition Social Democrats.

"Every Ossie can remember the Wessies who arrived in the Mercedes-Benz after the wall fell and claimed entire houses and industries. There is a psychological dimension of German unification. Yes, life is better but they

do feel like second-class citizens." Still smarting from what they see as condescending treatment by the West, East Germans defiantly hold themselves apart. With wages at about 70 percent of Western levels and longer hours and fewer benefits, many Easthow the Easterners will cast their votes. erners are proud that they forgo the 35-

back into Parliament, their presence

would greatly increase the share of the

vote needed to form a government with

That would make it extremely dif-

ficult for Mr. Kohl's Christian Demo-

crats to sustain their governing alliance

with the Free Democrats or for the So-

cial Democrats to team up with the

The alternative would be a grand co-

a clear majority.

to the hated Stalinist regime, still commands one in five votes but is ostracized Mr. Kohl's attempts to portray the

former Communists, the Party of Democratic Socialism, as "red-painted fascists" gets no traction in the East, where they constitute the third biggest party. The East's own issues barely play a role in the campaign," the Frankfurter

Allgemeine Zeitung newspaper said in an editorial this week. "Thanks at least in part to the East, the results of the election are extremely unpredictable," said Oliver Krieg, political researcher at Emnid in the

Western city of Bielefeld.

Mr. Kohl, once feted as the "unification chancellor," is accustomed to jeers and catcalls at his rallies in the East. "With the same language, the same history and same cultural past, I would never have believed that 40 years of separation would have such a deep impact," Mr. Kohl said two weeks ago. We have drifted further apart than I

had expected." In the heady early days of unification in 1990, Bonn's lawmakers voted to move the capital eastward from the tranguil town on the Rhine River to the sprawling Prussian metropolis of Berlin. The power shift into the bosom of East Germany, meant as a gesture to the new countrymen, hardly plays a role eight years later, despite a cost for the mann-

hour workweek and six-week vacations of the West.

Party slogans tailored for the West can fall flat in the East, where the party of former Communists, the successors

moth move of \$10 billion and rising.

For those willing to place bets, the East appears to be tilting in Mr. Schroeder's favor.

In a reversal of 1994, when Mr.

alition between the two largest parties,

with the chancellor's job going to the

party that holds the most seats in Par-

This has been tried only once before,

from 1966 to 1969, when the Christian Democratic leader, Kurt Georg Kie-

singer, headed a bickering coalition that

caused such dismay among voters that

they elected Willy Brandt to replace him

as chancellor and launch 13 years of

Kohl's Christian Democrats commanded nearly 39 percent of the Eastern vote against less than 32 percent for the opposition Social Democrats, today Mr. Kohl's party trails in the East with about 33 percent to 39 percent for the Social

That gap is far wider than in the West, where some polls show the two main parties in a dead heat after Mr. Kohl slowly has caught up in the polls.

Twice already, the East has played its swing-voter role, both times in favor of Mr. Kohl. In the 1990 and 1994 elections, when the liberation from a hated Stalinist regime was still fresh in their memories, enough Easterners gratefully lined up to keep the chancellor in office.

Mr. Schroeder's advantage, however, is hardly clear cut. Chances are strong that East Germans will return the former Communists to the Bundestag, the main chamber of Parliament. More than any other party, they have presented themselves as the lobby for those who feel disillusioned by spiraling rents, van-ishing industries and Western arro-

If the former Communists, known as the PDS, make it into the Bundestag, the distribution of seats will all but insure that Mr. Schroeder would need the party to form a majority coalition with his favored junior partners on the left, the pro-environment Greens. Unless Mr. Schroeder shocks the na-

tion by inviting former Stalinists into his government, the presence of the former Communists in the Bundestag probably will force him into a "Grand Coalition" with Mr. Kohl's Christian Democrats. keeping Mr. Kohl's party in government, although as the junior partner.

To the dismay of Mr. Schroeder, the emboldened leader of the PDS, Gregor Gysi, lures votes with the declaration that a new left-leaning majority "only is possible with us."

"With their vote for or against the PDS, the East Germans will determine the change," Der Spiegel wrote.

But Mr. Kohl refuses to write off the

East Germans who were once so grateful to him. After he managed to chisel away at Mr. Schroeder's once-commanding lead in the West, pulling almost even there in the polls, Mr. Kohl redoubled his efforts for a come-frombehind victory in the East that could give him a record fifth term.

The chancellor squeezed 16 Eastern rallies into his campaign schedule in the last two weeks of the race. Brushing aside charges that he deceived East Germans with broken promises of "flourishing landscapes"—the single most stinging charge held against him in the East—Mr. Kohl tried to turn the criticism around.

His posters, television ads and speeches all say he delivered on his promise. The ads showcase the "flourishing landscapes," cataloging new in-dustries and renovations, like the glitzy Leipzig train station.

Taking a swipe at his opponents at a such a rally last week in Dresden, he retorted:

"There might be hecklers out there, but at least there are no stasi around the corner," referring to the hated East German secret police. "We are free burghers in a free land."

Mr. Kohi lands the region's new stateof-the-art phone system, which replaced one from the 1920s, saying, "The stast was on the line before you connected with your friend in Munich." Mr. Schroeder attacked the "flour-

ishing landscapes" theme the moment Mr. Kohl launched it. At a rally in Leipzig, the challenger sneered at all the new "office buildings that no one new and luxury apartments that no one can

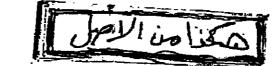
To ingratiate themselves, both parties recruited to the campaigns politicians who, despite their birth in the West, became prominent Eastern leaders. Lothar Spaeth, the popular and suc-

cessful manager of Jenoptik, the only indigenous high-tech company in East Germany that survived unification; signed on as an economic adviser to Mr.

Kurt Biedenkopf, the former West German politician who resurrected his career in 1990 as the popular governor of Saxony in the East, joins Mr. Kohl at rallies in the East. Not to be outdone, Mr. Schroeder has

appointed an Eastern-born lawmaker Rolf Schwanitz, as a cabinet-level minister to coordinate East German recond Struction.

In an interview, Mr. Schwanitz castigated Mr. Kohl for not establishing such a ministry in his own governi-



GERMANY / A SPECIAL REPORT

Extremism Rich, but Not Strongly Competitive

Next Leader Faces Major Problems in Retooling a Creaky Economy

By John Schmid

FRANKFURT — The sheer global weight of the German economy raises the international stakes in the elections

Because Germany's partners rely so heavily on it as a free-trade champion, neavny on it as a more than a growth engine and the anchor of the new European currency, they often take the European currency, they once was senting the nation's commercial health just as senting the Germans themselves do. nation's commercial nearly personal houselves do.

And they proparly to main job awaiting the next chancellor. main job awaiting the next chairman.

The legendary German economic model, which has gone for decades without even a proper tune-up, is fragile and urgently needs an overhaul.

Germany is already rich, it is just not growing very fast," said Andrew Warner at Harvard University's Center for Interna-

Germany placed 24th in an exhaustive competitiveness study commissioned this year by the World Economic Forum in Switzerland, trailing well behind the United States at No. 3, Britain at No. 4 and the Netherlands at No. 7. · 'Germany would change

tional Development.

dramatically in our rankings if it had a leaner government, lower taxes and more labor market flexibility," said Mr. Warner, who carried out the study. "It could jump 10 or 15 Whoever wins -- either the

conservative incumbent Helmut Kohl, or his centerleft challenger, Gerhard Schroeder — must confront a once-proud system of stateheavy "Rhineland capitalism" that has been crippled by chronic mass unemployment and a welfare state that

that holds the country back after cor- although the pace of growth recently porate Germany rejuvenated itself with a cultural revolution, cutting costs and staff while moving away from tradi-ational wage systems and introducing performance-linked pay and stock options for executives

Struggling out of the wreckage of the 1993 recession, business regained its confidence after a painful restructuring that left in its wake armies of unemployed workers who cannot reap the benefits.

right, bread-and-butter economic issues dominate the race. Their problem is: Which parliamentary coalition will dare to tackle an unpopular raft of leftover legislation meant to overhaul the entire systems of taxation, state-paid pensions, health care and labor.

petition, economists agree.

That is a big "if." political paralysis erected with impressive and pension overhaul, launched in 1996. died in Parliament in the hands of the opposition in what many saw as Ger-

anew or fade. By virtue of size ANALYSIS alone, the German economy belongs in the top leagues. It is the biggest in Europe and the third most important in the world behind the United States and Japan. In exports, Germany ranks second only to the United States. In many ways, it succeeds in spite of

arm wills it, these wheels do not move." mains stubbornly above the psycholo-Both Mr. Kohl and Mr. Schroeder gically unsettling level of 4 million after have pledged to renew the German mod-falling from a postwar record earlier in el and, above all, create jobs. But given the year. In the former East Germany, Mr. Kohl's mability so far to push his government figures show, unemployeconomic reforms and the vagneness of ment has fallen to 17.1 percent only Mr. Schroeder's pronouncements, no because Mr. Kohl has lavished taxpayer one is certain whether the German eco-funds on make-work jobs, many of nomic miracle will shine which will expire within months of the election.

Even if growth continues, the Munich-based Ifo economic research institute warned last month, failure to push through tax and labor reforms means even higher unemployment in the next downturn.

Another increase in unemployment would be catastrophic, and both candidates for chancellor have campaigned Despite its structural inefficiencies, it almost solely on the issue of jobs.



unification has strained to the Mr. Kohl, center, being congratulated in 1982 by his predecessor, Helmut Schmidt.

A retrenchment of government is all has enjoyed a cyclical upswing this year, began to cool in response to the recession in Asia and other emerging markets.

This year's takeover of Chrysler Corp. by Daimler-Benz culminated a German acquisition binge of blue-chip foreign rivals. The biggest publisher of English literature became the German-Random House, the revered New York publisher, in March.

For German voters on the left and weak in rankings that measure components other than brute size. Its shortcomings are laid bare by Mr.

With government spending generating 49.7 percent of gross domestic If the next chancellor pushes through product, Germany is nearly just as so-omy steps into a key role in economic the reforms without too much dilution, cialist as it is capitalist, Mr. Warner said. German giant can shake its torpor. The state-run pension system, which and rebound as an agile global com-pentor. It could lure back investment, expensive, he said. At \$32 an hour, the other emerging markets, Germany will spawn jobs and lead Europe down the average German worker still costs more be called on to play a role in "financial path of lean governments and open comtain than in any of the 52 other countries crisis resolution," Mr. Friedrich said.

. The next chancellor also must break the by German unions in recent years, the survey ranks German labor flexibility success in the last two years by lobbies for 51st out of the 53 countries. Corporate Asian crisis, analysts point out. unions and social activists. Mr. Kohl's tax taxes, the survey confirmed, are the highest in the world.

Pressure to act on Germany's ecomany's unwillingness to adapt. This is a particularly after Germany's recovery march under the slogan, "If this strong percent in August, unemployment re- role."

Herwig Schloegl, deputy secretarygeneral at the Organization for Economic Cooperation and Development in Paris, said Germany should not expect any

quick fixes to its unemployment crisis.

These are challenges on the scale of a generation that will not be solved in three or four years," Mr. Schloegl said. "We are facing an economic revolution based Bertelsmann, which acquired like the Industrial Revolution of the last

If not for its own unemployed, econ-And yet Germany is surprisingly omists say, Germany should retrench its economy for the sake of its economic

Warner's study, which is based on a role for Europe and if Germany does not take it; then someone else will, said Klaus Friedrich, chief economist at

> The next captain of the German econgeopolitics at a critical time. As world leaders scramble to prevent a global

Western allies need a strong advocate Even with unprecedented concessions of free trade at a time when open-market policies have come under attack by protectionists fearful of contagion from the

> "Until now, the clear leadership was the U.S.," Mr. Friedrich said.

"But in the future, with the euro, there nomic problems has never been greater, will be two blocs and in the formation of a dollar-euro partnership, the German nation, after all, where militant unions already fizzled out once in 1996. At 10.6 chancellor will have a new and crucial

DIE ZEIT presents:

The new job market with a special section personnel and law"

GERMANY: Campaign Built on Vows of No Risk and No Change

Continued from Page 1

embody change without scaring any-body, 'said Karsten Voight, the Social Democratic foreign policy expert who is not seeking another term this fall after more than two decades as member of the Bundestag. A Christian Democratic colleague described the situation more frontally. "The majority of Germans don't want anything like basic policy change. A face here a limb additional property of the state of t change. A face here, a little adjustment there O.K. But that's it," he said.

In the case of Mr. Kohl, after 16 years in power, he was hardly at risk of being perceived as Mr. Let's Start Over Again. In fact, over the course of the campaign, his tacit promise of more-of-the-same became the chancellor's strength. Through the years, Mr. Kohl repre-

sented few reforms that frightened anyone. Short of a moderate tax restructuring, there was largely nothing new in his campaign. With the economy ticking up a bit, Mr. Kohl seemed to be saying that Germany had waited out a difficult patch and was now, without much additional effort required, back on track. If the prospect of any change was embodied in the Kohl candidacy, it was

whe acceptable area of new faces and in the person of Wolfgang Schaeuble, the Christian Democratic Bundestag leader. It was widely expected, supposing a CDU victory, that Mr. Schaeuble, who the polls say is the country's most popular politician, could succced Mr. Kohl once he had gone a year or two into his mandate, crossed the centuries' divide and moved the seat of

government to Berlin. . For Mr. Schroeder, the change of face he offered seemed in his strategists' minds all the upheaval the electorate wanted or could handle. His campaign was studded with words that evoked change in vague yet reassuring tones modernity, the New Middle, new technology, elites formed through equal chances at advancement. But Mr. Schroeder fled the specific. His campaign pledges were essentially restorsive ones, not innovations: repealing this facility for employers to cut staff, eliminating that limitation on sick pay

For both men, the German model,

touched up here and there, a coat of paint stream debate on society that President on the rough spots, was just fine.

Mr. Schroeder, who has virtually no experience in foreign or security affairs, attached himself to the positions on international relations that Mr. Kohl established as the country's standards, saying he would change next to nothing in Germany's role in the world. It was a totally safe course set by a

man who would be the country's first lic attitudes that are largely uninterested in any special leadership stance for Germany and satisfied with the country's achievement in eliminating any major tensions with its neighbors. These cirpolls that Mr. Kohl would be specifically pale. rewarded for having contributed so much to them.

lions of lost jobs re-created. The main- substance.

Roman Herzog said was necessary to give a tired Germany a new start never

This situation underscored the irony

that the only real alternatives in the campaign came from the margins: the former Communists of East Germany, renamed the Party of Democratic Socialism, who called for renationalized industries and capital controls, and the chancellor without direct experience in World War II. But it well reflected pubmarket economic restructuring familiar Free Democrats, who proposed a free to the Conservatives in Britain and the Republicans in the United States. The Free Democrats were an uncertain bet to be returned to Bundestag and the former Communists were condemned, at least cumstances appeared as givens to the on the national level, as a democratic electorate, and there was no sign in the impersonator beyond the respectable

Because both sides of the middle ventured little in this election and most of Neither candidate made much of the the voters seemed to ask for no more, a growing gap between rich and poor in Grand Coalition of the Christian Demothe country and neither proposed a con- crats and Social Democrats was its emcrete or cohesive answer to the challenge inently conceivable outcome. That was of how the cost of social justice was to be change, of course, but perhaps not so borne, return on productive investment much that anyone in the country would in Germany made competitive and mil- have to readjust to some new or vital

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Malaysian Police Raid Mosque to Disrupt Pro-Anwar Rally

By Thomas Fuller ttic a Her | | Pribana

KUALA LUMPUR --- A special police unit marched into Kuala Lumpur's National Mosque on Friday and disrupted a demonstration by hundreds of people chanting and handing out leaflets in support of Anwar Ibrahim, the onsted deputy prime minister.

The image of the police sprinting through the corridors of the country's leading mosque just after Friday prayers could stir anger among the country's

Muslims, who make up just over 50 percent of Malaysia's population.

The protest dispersed quickly when police entered the mosque, but the raid pointed to what could become the most entrenched face-off of Malaysia's political crisis, between Prime Minister Ma-

hathir bin Mohamad and Islamic leaders. Islamic groups, who see the prime minister as too secular, are Mr. Anwar's most vocal constituency and their members made up the largest segment of protesters at Mr. Anwar's rallies.

Mr. Mahathir faces criticism from several segments of Malaysian society for the dismissal and subsequent arrest of Mr. Anwar, his anointed successor. Mr. Anwar and Mr. Mahathir were increasingly at odds during the last year over the direction of economic policy.
Their power struggle culminated earlier
this month when Mr. Mahathir accused 'Mr. Anwar of sexual misconduct. He will be tried for sodomy, which is illegal

The political battle between Mr. Mahathir and Mr. Anwar has been played out on the streets of Kuala Lumpur and else-

U.S. Voices Concern Over Anwar Detention

KUALA LUMPUR - The United States on Friday voiced concern over the detention of Malaysia's former deputy prime minister, Anwar Ibrahim, under a law providing for detention without trial. We are increasingly concerned by

the use of the Internal Security Act to restrict the rights of assembly, free speech and open communication in Malaysia," said a State Department statement sent by the U.S. Embassy here.

In particular, the department voiced concern over the continued detention of Mr. Anwar and his associates under the act and "restrictions placed on the activities of Anwar's wife, Wan Azizah Wan Ismail."
"We believe that all Malaysians

should be allowed to defend themselves in open court in expeditions fashion under the legal protections afforded by Malaysian law and the Malaysian constitution," it said. "These protections are not available under the ISA."

We note that the Universal Decla-Pation of Human Rights states that every hearing by an independent and impartial judiciary." the State Department said.
"We urge the Malaysian government to

a conspiracy led by the prime minister. conservatives.

where in the country on a scale never seen before in post-independence Malaysia. It comes as Malaysia and its neighbors in Southeast Asia face intense economic pressure from the year-old financial crisis, with governments grappling with

rising unemployment and poverty. Mr. Anwar's dismissal has left Mr. Mahathir, 72, without a political heir and has destroyed the mechanism of succession that has been used to pick prime ministers since independence in 1957.

The prime minister said Friday that he dismissed Mr. Anwar because of his alleged homosexuality. "We cannot have a leader who is easily swayed by his

lust," he said.

Mr. Anwar was arrested last Sunday and is being detained without trial. Lawyers say they fear the erosion of the rule of law and human rights groups fear the further use of the dracomian Internal Security Act, under which Mr. Anwar is

Mr. Mahathir said that his former deputy would not be tried until he stopped the unrest.

If he will tell his followers not to

riot, he will be brought to court for trial," Mr. Mahathir said Friday. It was unclear how Mr. Anwar, whose location is unknown and who has not even been allowed to meet with his wife since his detention, would pass on the

message to his followers. The group that demonstrated in the National Mosque on Friday promised more protests. In leaflets thrown from the balcony of the mosque, the group said it would meet Saurday in the heart of the city. "No speech, no rally, no violence and no riots. All will be done in peace with whispers of support," the leaflets said.

Islamic groups pose a significant threat to Mr. Mahathir because they have good infrastructure: Even the smallest towns in the country have mosques.

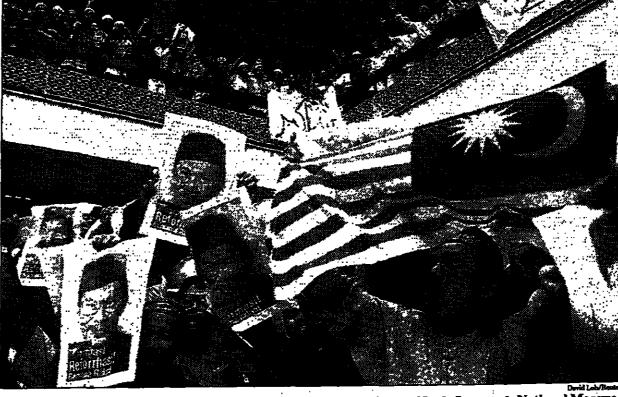
The last time the police entered mosque in Malaysia was in 1974, and then, too, Mr. Anwar was involved. As the head of a radical student movement, he was leading a rally against poverty in

"History is repeating itself," said Syed Husin Ali, a government critic who took part in the protests 24 years ago. "Only in 1974 the police did not take off their boots." Before entering the mosque Friday, most of the police commandos, following Muslim custom, took off their shoes. Others put red covers over their black combat boots.

The protesters in the mosque Friday are Mr. Anwar's core supporters; con-servative Muslims, who, before Mr. Anwar's detention, turned out in large numbers to hear him speak. Over the years, Mr. Anwar attempted to cultivate the image of a devout Muslim family man. Mr. Mahathir, by contrast, has tried to portray a modern face of Islam during

his 17 years in power. 'Mahathir has always sought to resist the encroachment of Islamic values as a dominant culture within the state," said person has the right to a fair and public Michael Leifer, director of the Asia Research Center at the London School of Economics.

Rustam Sani, a former professor and misconduct charges over the next few enlightened kind of Islam. That has cre- with the country. days. Mr. Anwar says he is the victim of ated a lot of suspicion among the more



Supporters holding up posters of Anwar Ibrahim during a rally Friday in Kuala Lumpur's National Mosque.

New Obstacles Thwart Taleban's Control

By Pamela Constable

KANDAHAR, Afghanistan — Just as the Taleban forces appeared poised to consolidate control over Afghanistan, following two years of internal conflict and international isolation, the radical Islamic movement has been dealt a series of punishing blows — not only by its armed opponents at home but also by its few friends abroad as well.

At the United Nations, the Taleban movement came under heavy pressure this week to negotiate with political adversaries, relax restrictions on women, make amends with Tehran over the murder of nine Iranians last month and allow investigators

to visit areas where Taleban forces have reportedly massacred civilians. At home, the opposition forces of a former Afghan defense minister, Ahmed Shah Massoud, which Taleban officials had boasted were near defeat, launched three devastating rocket attacks on Kabul, the capital, killing at least 65 people and wounding several hundred.

Although the Taleban controls almost all of Afghanistan, it has been unable to subdue Mr. Massoud, whose attacks inflicted the heaviest damage on Kabul since the Taleban captured it in

pear to be abandoning the pariah regime.
On Tuesday, Saudi Arabia, one of only three countries that recognize the Taleban as Afghanistan's legitimate gov
But he and other officials suggested

involvement in the many three involvements in the see themselves as guardians of a conservative, traditional culture as well as a pure form of Islam.

But he and other officials suggested

Yet, despite their provocative, seemusure that these rights are protected." widely read newspaper columnist, ad On Tuesday, Saudi Arabia, one of only Mr. Anwar has not been allowed conductive the has been arguing all over the three countries that recognize the Taletact with his family or lawyers. The po- world that Islam has been misunder- ban as Afghanistan's legitimate govlice have said he will face several sexual- stood that there is this so-called more ernment, in effect broke diplomatic ties

This move was apparently aimed at the Taleban's sheltering of Osama bin

Laden, the wealthy Saudi extremist fusial, "We will be ready to defend gitive suspected of sponsoring terrorist ourselves." attacks on Americans in Kenya, Tanzania, Somalia and Saudi Arabia.

And yet, Taleban authorities here insist they will continue to defy world Iran invaded, Reuters reported. pressure and domestic resistance. They assert they will never apologize to Iran, turn over Mr. bin Laden to a foreign power or bow to international criticism of the restrictive form of Islamic rule they have imposed on the country. They also declare they will fight on to

Some blows are delivered by both foes at home and its few friends abroad.

> victory over Mr. Massoud and other armed opposition groups operating in three Afghan provinces.

> "Iran should apologize to us for its crimes and interference in Afghanistan," said Wakil Ahmad, chief spokesman for the Taleban's leader, Mohammed Omar, Mr. Ahmad said Mr. Massoud's attack on Kabul was "directly ordered by Iran" to sabotage an emergency meeting of 2,000 Taleban religious scholars on the Iran crisis.

> The spokesman also noted that Af-thanistan had asked the United Nations for help in easing tensions with fran, which has massed more than 200,000

in August were military advisers.

In Kabul, the Islamic scholars who had gathered to discuss the crisis urged restraint, but they vowed a holy war if Taleban officials were equally defiant

about Mr. bin Laden, their controversial guest, whose two-year stay in Afghan-istan has caused headaches for the regime. After charging that Mr. bin Laden mas-terminded the bombings of the U.S. embassies in Kenya and Tanzania, the United States launched cruise missiles against camps reportedly set up

to train terrorists. Now, the Saudis are distancing themselves as well, citing Mr. bin Laden's suspected involvement in the 1996 truck bomb attack

that killed 19 Americans. But officials said that while they have restricted Mr. bin Laden's activities and media access inside the country, they will resist foreign demands to turn him

over for trial. As for foreign criticism of human rights violations and restrictions on women. Taleban officials said that the international community was biased and mistaken in its information.

"The somroversy over the curtaliratent of Alghan women strights indep Taleban rule, which has drawn sharp critwhich has massed more than 200,000 icism from U.S. officials, appears to troops along the border for what Tehran mystify the movement's leaders, who

that the eight Iranian diplomats and one ingly unrealistic responses to the array of journalist killed by Taleban combatants foreign demands, officials here said repeatedly that they wished to have "pos-If Iran decides to attack, Mr. Ahmad itive" relations with other nations.

BRIEFLY

Panama Site Fails For Drug Center

WASHINGTON - The United States and Panama announced that two years of talks on creating an international center in Panama to fight drugs had failed. U.S. officials said it might be set up in Florida.

The two had been negotiating to turn the Howard Air Force Base into a center with intelligence gathering facilities, air power and 2,000 U.S. troops, allowing them to stay after control of the Panama Canal passes to the Panamanian government on

Cambodia Retracts Blame for Grenade

PHNOM PENH - The Cambodian government on Friday backed off blaming opposition parties for a deadly grenade attack.

A rocket-propelled grenade ex-ploded Thursday in the northern town of Siem Reap as members of Parliament, including Hun Sen, were traveling there for the opening of the legislature. A 12-year-old boy was killed.

A government spokesman said that Hok Lundy, the national police chief, had not meant to blame opposition parties or leaders in remarks after the blast. (Reuters

Lawmakers Deride North Korea Policy

WASHINGTON - A Republican congressmen called for the overthrow of the North Korean government, saying the Clinton admin-istration's policy had failed. Representative Dana Rohrabach-

er of California denounced U.S. food aid to famine-hit North Korea and said, "Our goal should be the overthrow of that government." Representative Benjamin Gil-

man of New York, chairman of the House International Relations Committee, called for a bipartisan review of North Korea policy.

For the Record

The writer Taslima Nasrin who has been hiding because of death threats from Islamic fundamentalists, was being sought Friday by Bangladeshi police who have a warrant for her arrest.

Torrential rains triggered flooding and mudslides in western Japan on Friday, reportedly killing six
(AP)

The Nicaraguan revolutionary monthlong hunger strike when the National Assembly agreed to review a decision barring him from running for president in 2001. (Reuters)

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THE CHESTON

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ISLAM: Risk to Neighbors Seen as Taleban Consolidates Power

Continued from Page 1

Pakistan and conservative Gulf states." vacuum of power where outside powers ordination could amount to a test of waged proxy struggles. That political dynamic could produce a powerful dialogue if Tehran has mellowed, backlash if the Taleban consolidare their

It would be a wrenching change grip and then radiate destabilizing inluences through a vast oil-rich zone from the Middle East to Central Asia. Such regional ambitions among the

Taleban seem to be confirmed by their decision to harbor Osama bin Laden, the Sandi terrorist who has vowed to attack Americans throughout the Middle East.

U.S. government and corporate planning about routes for pipelines and roads opening the ex-Soviet republics on Russia's southern border to world markets. What has triggered the current con-cern about Afghanistan, including Iran's

recent weeks in seizing two towns, Mazri-i-Sharif and Bamiyan, which were the last significant strongholds of the country's small Shifte population. In the captured towns, six franian dip-

omats were found and killed in an act of sectarian hostility. Iranian leaders reacted with a vow to curb the Taleban before they can consolidate their state. Iran by itself has scant chance of changing the course of events in Afaimed partly at mobilizing Iranian opinion and partly at seeking help from other countries. Indeed, the ex-CIA agent said,

the emergence of a Taleban-run state "creates major anxiety in every surrounding countries — or should, Neighboring countries - Iran. Pakistan, Turkmenistan, Uzbekistan and are mostly Sunni or important Sunni minorities. Already, their border zones with Afghanistan are unruly areas,

Their presence could be exploited by a militant regime in Kabul that felt secure by inflaming religious passions. If Sunni populations are stirred up, all of these countries would face the specter of sectarian clashes, separatism and even civil war. With so much at stake, Mr. Roy basic alliances in the region," meaning to the State Department that Iran and three of its foes - the

The ideological gulf between Iran and Taleban. He appears to be short of equipthese three other countries remains too ment and losing manpower, but his for-For years, Afghanistan has been a sues, but discreetly managed, tacit co-

It would be a wrenching change for Washington, Riyadh and Islamabad, because these countries, to varying degrees, backed the Taleban as part of the Afghan guerrilla forces fielded against the Soviet occupation of their country. Now there are few options left for containing the Taleban, specialists said.

The danger convinced the Clinton ad-Underscoring the geopolitical stakes, ministration to start public diplomacy on Afghanistan has figured prominently in Afghanistan this week at a meeting in New York that, significantly, included Iranian officials. The formal session proved abortive, and U.S. officials declined to say whether the consultations surrounding it provided some back-

The scope for de facto cooperation seems very limited, Mr. Roy said, because it would require stronger leadership than seems feasible in Washington and Tehran. Yet, alone, neither government seems to have much leverage.

Despite its threatening tone, Tehran cluding does not want to invade Afghanistan. Laden Mr. Roy said. Even though the Iranian Army vastly outnumbers and outguns the Taleban, Iranian forces would have ghanistan, so its public stance seems no hope of defeating the Afghans, who would simply melt away and wait out the attackers in the hostile Afghan environment, specialists agreed.

which would not face a serious challenge from the Taleban. So Iranian warplanes could effectively support ground operations by Ahmed Shah Masond, the guermaining organized resistance to the come to power in Kabul."

their new credentials to destabilize wide to bridge for any public readiness tunes could revive if a major cross-border to envisage cooperation on security is-sues, but discreetly managed, tacit co-neighboring Uzbekistan. Mr. Mazond, in those conditions, could probably keep a Iran's moderation and U.S. interest in northern zone out of the Taleban's control, according to intelligence sources.

But success would depend on U.S. financial and political involvement, the sources added, and Washington seems likely to be ultracautious about a semiclandestine operation on this scale.

Old clandestine ties, which ceased years ago, the former CIA agent said, have helped obscure the Taleban's growing anti-Western militancy in U.S. thinking. As recently as this summer, the Clinton administration was talking with the Taleban about potential pipelines to carry oil and natural gas out of Tunkmenistan to the Indian Ocean by cross-

ing Afghanistan and Pakistan.

Lobbying for the project in Washcern about Afghanistan, including Iran's channel communication with Tehran ington, Unocal Corp., a U.S. company, bellicosity, was the Taleban's success in about each side's intentions. cially among hard-liners who liked the idea of outflanking Iran and Russia with the pipeline. The planned investment died a few weeks ago, industry sources said, because of U.S. dismay at Taleban intransigence on international issues, including their protection of Mr. bin

Still, a State Department official said, "the Saudis and the Pakistanis are urging us to recognize the Taleban and give them the seat in the United Nations on the theory that acceptance will gradually make them more moderate."

The top priority for Washington, the Iran's most valuable asset is air power, which would not face a serious challenge from the Taleban. So Iranian warplanes former CIA agent, "Pakistani intelligence services have remained deeply involved with the Taleban, apparently Pakisian, Turkmenistan, Ozockisian and rilla leader who commands the only rewith a secret agenda of helping them

barely under government control and crowded with political tinder in the form Ernst Jaakson, Estonia Envoy, Dies at 93

New York Times Service

NEW YORK -- Ernst Rudolph Jaakenough to try destabilizing its neighbors son, 93, the ambassador from Estonia who maintained a consulate in New York after the Soviet Union absorbed his country, died Sept. 4 in New York, the Estonian Consulate said. He had been a diplomat for 75 years — the longestsaid, there could be "a reversal of all the serving diplomat in the world, according 1940.

Mr. Jaakson was revered by his fellow United States, Pakistan and Sandi Ara- Estonians for being an ambassador withbia - would stop vying for influence in out a country and for making the confreedom in the decades that the country ambassador to the United States.

was a part of the Soviet Union. In those years, he represented Es-

tonia's interests before the government and businesses of the United States and broadcast messages of hope on the Voice of America. He also continued to issue Estonian passports, leftovers from its years as a free nation, which ended in

Jaakson passports, as they came to be a known, were honored by many Western countries, including the United States. bia — would stop vying for intrinence in our a country and the country and instead focus on trying sulate in Rockefeller Center a symbol of dependence, and Mr. Jaakson was made

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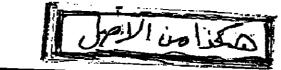
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President Takes Swing at Republicans Over Budget

By Peter Baker Washington Post Service

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WASHINGTON - An increasingly aggressive President Bill Clinton assailed congressional Republicans on Friday for not passing budget bills for the new fiscal year starting next week, indicating a willingness to scrap with Congress even as it considers opening impeachment proceedings against him.

Mr. Clinton signed a stopgap funding measure Friday morning to keep the federal government open after Oct. 1 even though Congress has not sent him most of the appropriations bills necessary for full-year operations.

"The legislation is a regrettable sign that the Republican majority in Congress has failed to address the urgent priorities of the American people," Mr. Clinton said on the South Lawn after signing the measure and before he left Washington for a three-day political swing to Illinois, California and Texas. "By failing to meet its most basic governing responsibility, the Republican majority in Congress has its priorities wrong - partisanship over progress, politics

The attack infuriated Republican leaders and underscored the renewed confidence at the

ident's actions regarding Monica Lewinsky. porary shutdowns of the federal government, White House strategists believe they have stabilized their political plummet and are eager for a fight over policy with Republicans that would change the subject to territory where Mr. Clinton has succeeded in outmaneuvering them before.

"It isn't too late, but Congress cannot simply keep passing patchwork spending plans, putting off choices about national priorities until next year — or at least until after the election," Mr. launch a formal impeachment inquiry, followed Clinton said. "It is time now for Congress to by a vote by the full House on Oct. 9. year - or at least until after the election," Mr. buckle down."

The Senate majority leader, Trent Lott, Republican of Mississippi, bristled at the president's remarks, calling them a "gratuitous slap" at an inopposiume moment. "What he's trying to do is distract attention from his problems by putting the blame somewhere else," Mr. Lott told reporters. "We need a president who is

engaged, and he is not."

Congress has sent Mr. Clinton only one of the 13 annual appropriations bills, although leaders on Capitol Hill have said they are making progress and will finish their work before recessing Oct. 9 to return home for the fall campaign.

Mr. Clinton rebounded from a political low following the 1994 Republican takeover of Congress by portraying Republicans as obstruction-White House following weeks of political trouble ists during a protracted budget battle the next generated by the Starr report on the pres- year. Many voters blamed Congress for the tem-

which helped Mr. Clinton win re-election in 1996.

Even as the president took his slap at Republicans, the House Judiciary Committee was meeting to decide how much more still-secret evidence sent by the independent counsel Kenneth Starr to make public next week. The committee plans to vote Oct. 5 or 6 on whether to

■ Panel Considers Mountain of Evidence

Torn by partisanship and internal party dif-ferences, the House Judiciary Committee met in closed session to prepare 60,000 pages of po-tential impeachment evidence for public release, The Associated Press reported.

While the committee rushed to send the material to the government printer Monday, a Democratic lawmaker sought to postpone the deadline and keep the information secret for

Representative Zoe Lofgren, Democrat of California, proposed over Republican opposition that the committee determine, before releasing anything else, whether Mr. Clinton's conduct constituted a "high crime and misdemeanor."

That is the standard for impeachment, but the term is not defined in the U.S. Constitution.

Ms. Lofgren handed out copies of the motion she made as the committee met to approve deletions of irrelevant material in the documents, much of it sexually graphic.

Her resolution demonstrates differences be-

tween the parties.

Republicans want to release information provided by Mr. Starr and then begin an impeachment inquiry before delving into such legal issues. Democrats believe the legal standard must be addressed first.

Democrats say their constant calls for fairness to Mr. Clinton are taking hold with the public, as demonstrated by the president's still-strong job approval rating and opposition by most Amerans to impeachment.
"The public perceives the handling of these

procedures as terribly unfair," said Jim Jordan, a spokesman for Democrats on the Judiciary Committee. "I'd be surprised if we didn't see a significant tactical recalibration by committee Republicans."

Earlier this week, Republicans used their majority power to release Mr. Clinton's videotaped grand jury testimony and 2,800 pages of backup material, including the grand jury testimony of Ms. Lewinsky.

This time, there is a much bigger mountain of material to consider from Mr. Starr. Included in the material is the grand jury



Trent Lott, Senate majority leader, called Mr. Clinton's remarks a "gratuitous slap."

testimony of the following: Vernon Jordan, who is a presidential friend; Betty Currie, a Clinton secretary; Ms. Lewinsky's former friend, Linda Tripp, and transcripts of Mrs. Tripp's recorded conversations with Ms. Lewinsky.

Clinton May Be Preparing To Settle Paula Jones Suit

By Peter Baker and Susan Schmidt Washington Post Service

WASHINGTON - Lawyers for President Bill Clinton are quietly exploring a financial settlement with Paula day, and neither side would comment. Jones that would end the long-running legal battle that led to the crisis now threatening his presidency, according to

sources familiar with the situation. Attorneys for Mr. Clinton and Ms. Jones have conferred in recent weeks about whether a deal can be reached before an appeals court hears oral arguments next month on her bid to reinstate the sexual harassment lawsuit that was dismissed in April by a federal Jones to float a counterproposal, a judge in Little Rock, Arkansas, the sources said.

"There's some talk going on," said a source who requested anonymity.

The tentative discussions in the case that helped generate the impeachment report sent to Congress by the independent counsel, Kenneth Starr, involve a possible payment by Mr. Clinton in the range that was contemplated by the two sides during past failed negotiations. Ms. Jones rejected a proposed \$700,000 settlement from Mr. Clinton a year ago

HEDGE: Markets Shudder

Continued from Page 1

face it, they've taken a big hit." "Ironically, LTCM's good reputation gave them greater access to huge quantities of money," said Mr. Hale, "and greater exposure." The hedge fund's managers include John Meriwether, one traders; two Nobel laureates in economics; and David Services of Wall Street's most famed bond Treasury official and former vice chairman of the Federal Reserve Board.

Even before the LTCM rescue became known, Britain and France had scalled in recent days for an overhaul of the international financial system. German officials, however, appeared to reject those proposals on Friday.

"We don't need new institutions and we need to keep flexible relations between currencies," said the German economics minister, Guenther Rexrodt, as he arrived in Vienna for a meeting of European Union finance ministers.

'We don't need a new architecture or new organizations, we need new accents in policy," said Hans Tietmeyer, president of the Bundesbank. He called for greater transparency of banking structures and economic policies. (Page 15)
Mr. Rexrodt was standing in for the -German finance minister, Theo Waigel,

who was due to arrive Saturday, when the International Monetary Fund's managing director, Michel Camdessus, was also due to join the discussions on how to tame the turmoil that has shaken the world's markets for the past 14 months. One banker involved in the rescue talks Wednesday told The Washington Post that many of the banks and investment houses had agreed to join the rescue only after Fed officials had warned that failure would result in

"chaos" in financial markets and could damage economic growth worldwide. The banker said the Fed officials were concerned about the prospect of a "dom-ino effect" if the sell-off of about \$100 billion in market bets placed by LTCM stiggered a new wave of losses and forced

miles of assets by other institutions. 7 Germany's largest bank, Demsche Bank, said Friday that it would contribute about \$300 million to the LTCM bailout, even though it had no stake in the hedge fund, to prevent further tur-

bulence in the international markets. Bank shares in Paris were particularly hard hit. Societe Generale closed down 8.06 percent, Paribas fell 7.97 percent, and Banque Nationale de Paris, plummeted 7.59 percent. At one stage shares in the banks were suspended from trading after they dropped more than 10 percent. Both Paribas and Societe Genlerate have confirmed they will contrib-

nue to the LTCM bailout. Fisch IBCA, the London-based credit rating organization, said Friday that the exposure of the major U.S. securities firms and commercial banks appeared to be "manageable" following the rescue. "While the potential for losses had been high, the plan appears to have stabilized the situation and the exposures appear to be manageable at this point,"

the agency said.

because it did not include an admission and apology from the president, but her associates suggested last February, just weeks before the case was thrown out, that she would accept \$900,000.

Details remained sketchy on Thurs-Sources said the team representing Ms. Jones initiated the new discussions about two weeks ago with a letter proposing a specific payment but dropping Ms. Jones's long-standing demand for a written statement of contrition by the president. Mr. Clinton's side rejected the proposal, and the matter was closed until an attorney for Mr. Clinton, Robert Bennett, called Dallas-based lawyers for Ms. source said.

The renewed contact comes at a time when Clinton allies also are trying to cut a deal with Congress to head off impeachment by agreeing to a censure or some other punishment for his actions regarding Monica Lewinsky. While Re-publican leaders have rebuffed the idea for now, White House advisers are cantiously optimistic about reaching an accord after the November congressional elections. Getting rid of the Jones suit as well would help clear the deck for the final two years of Mr. Clinton's term.

Ms. Jones has her own reasons for eking a settlement now. In addition to the fact that her case was thrown out and may not be resurrected by the appeals court, she and her husband, Stephen, have financial problems because he lost his job at Northwest Airlines earlier this year and both remain out of work. A cial payment from Mr. Clinton also would spare her months, if not years, of uphill litigation.

By dropping her demand for a formal apology in the latest discussions, Ms. Jones abandoned a position she had taken since filing the suit in 1994: that she wanted vindication, not money. A dispute over that insistence led to a bitter breakup with her previous legal team last

In notifying Congress of 11 possible counts for impeachment, Mr. Starr accused Mr. Clinton of committing perjury, tampering with witnesses and obstructing justice during the Jones lawsnit

Mr. Clinton has maintained that, while misleading, his answers were "legally accurate" during a Jan. 17 deposition in the Jones case when he denied having a sexual relationship with Ms. Lewinsky. His Aug. 17 admission before the grand jury convened by Mr. Starr and in a televised speech that he had an "inappropriate intimate" relationship with Ms. Lewinsky gave ammunition to lawyers as they try to revive Ms. Jones's suit.

Continued from Page 1

GS4104 appeared to reduce the duration of

In a separate study on about 1,600 volunteers,

researchers found that only 1 percent of people

taking the pills became sick, compared with nearly 5 percent in an untreated comparison group.

metrel, known generically as amantadine, and Flu-

madine, known as rimantadine. Both are effective

The flu drugs already on the market are Sym-

symptoms from an average of 4.3 days to 2.9 days

while also making people feel less miscrable.

Congress and Future Priorities Erosion of President Clinton's image has helied Those who have a Say Bill Clinton can Say Bill Clinton shares be trusted to keep his the moral values of word as president: most Americans: Sept. 12-14 Should Congress censure President Clinton? 57 33 Should Congress hold impeachment hearings? Should Bill Clinton resign or The investigation of BBI Clinton Has the time, effort and money spent on the independent counsel's Would be satisfied if no action was What is most important in a presid Which is most important in rating Positions on issues Abaity to manage Which is more important? That a . Be a moral role model Do his job effectively Based on New York Times/CBS News telephone polls, the latest conduc Sept. 22 and 23 with 960 adults resonate.

Public Views of the President,

Likeliest Voters Favor Republicans The people who are most likely to vote have considerably different

| | REGISTERED VOTERS | AQUES! | AOLEH8 TIKETA | AOLES: |
|--|----------------------|----------------|------------------|-----------|
| Preference for House of Repres | entatives: | | | |
| Republican candidate Democratic candidate | 39% 44 | 44% 43 | 50% 41 | 53% 41 |
| Opinion of Bill Clinton's job perfe | omence: | | | |
| Approve | 66 | 62 | 57 | 48 |
| Disapprove | 36 | 36 | 41 | 49 |
| What should Congress do? | | 1-1-144-11-mi- | ·. | ********* |
| Begin impeachment hearings | 29 | 33 | 39 | 50 |
| Censure Clinton | 28 | 30 | 29 | 22 |
| Drop the matter | 40 | 35 | 31 | 28 |

geed on telephone Interviews conducted Sept. 22 and 23 with 960 adults stionwide, including 905 registered voters:

Likely voters (489) are registered voters who eard shey will delimitely vote this feit, are paying attention to the campaign and voted in either 1994 or 1996. More likely voters (341) are registered voters who said they will definitely vote this fell, are paying abortion to the campaign and voted in both 1994 and 1996. Most Edgy voters (156) are registered voters who exid they will definisely vote this tall, are paying a lot of attention to the current campaign and voted in both

FLU: Experimental Pill Cuts Days Lost to Winter Illness and Eases Its Symptoms

■ Study of Fetal Gene Therapy Sought

experiments on human fetuses in the womb.

preventing prenatal death or lifelong disability.

Rick Weiss of The Washington Post reported: Two scientists have asked a federal advisory

panel to weigh the medical and ethical implications

of their plan to conduct the world's first genetic

netic diseases new genes before they are born, thus

They propose giving fetuses afflicted with ge-

"What we're shooting for is a born child who

ALLIES: Spectacle in U.S. Worries Leaders Abroad

mental defective not to

see that Clinton has

been weakened.'

Continued from Page 1

capacity to lead, at home and abroad." So that the United States can speak with one voice if serious crises need to be addressed this fall and winter, while impeachment proceedings may be taking place, the ambassador urged that the White House hold intensified foreign-policy briefings for Republican leaders in Congress, starting now.

There are many complex problems in the world that were not able to be solved even before these events, and we shouldn't confuse the two," Mr. Vedrine cautioned a group of reporters at breakfast in New York City on Wednesday. "But that is my answer today. Will this affect America's capacity in the future? I hope not."

Some officials insist that Mr. Clinton has not been dis-

tracted at all. For example, Alastair Campbell, spokesman for Prime Minister Tony Blair of Britain, said after Mr. Blair and Mr. Clinton had talked at the UN in New York on Monday,

the very day that Mr. Clinton's grand jury testimony was broadcast: "The prime minister found him totally focused and able to focus, and engaged on all the issues where he needs to be engaged. But the calculus is a bit more complicated than

that. It involves many questions, of which the president's ability to concentrate is only one. Can he spare the time, for instance, to rally international coalitions? Can he influence con-

gressional action on foreign policy? Will all his actions abroad be interpreted in unfriendly quarters at home, like the bombing raids on Afghanistan and Sudan, as mere ploys to divert attention from the Lewinsky case and impeachment

One thing is clear in almost every capital: A crippled president is good news for no one.

Gratitude for past support was one element in the standing ovation that Mr. Clinton received at the UN. It was led by Foreign Minister Rosario Green of Mexico, which the Clinton administration bailed out of a financial crisis nearly three years ago.

But the applause was also designed, some delegates said, to strengthen Mr. Clinton's hand during a time of trouble. People in different countries fret about different

proposals for fresh initiatives in two of the most ternational Monetary Fund.

difficult situations, those in Kosovo and in Iraq, have been on Mr. Clinton's desk for some time. He would not say how long, but he commented: "We need action, and in normal times, we would have had it. But these are not normal times, as you may have noticed."

The United States has sat quietly by while Saddam Hussein expelled UN arms inspectors, having said previously that it would not accept such action, and it has failed so far to intervene to slow Serbian attacks upon ethnic Albanians in Kosovo.

Some Europeans think Mr. Clinton's hands are

"He cannot order retaliation against Islamic terrorism without raising the suspicion of it being a reckless political expedient, wrote Alberto Ronchey, the 'You'd have to be a

former head of the publisher Rizzoli RCS, in the Milan newspaper Corriere della Sera. An Asian diplomat complained bitterly about what he called "intolerably late, intol-

erably inadequate "U.S. action in the case of Anwar Ibrahim, the former Malaysian deputy prime minister, who was fired earlier this month from his positions in the cabinet and the ruling political party, then arrested in Kuala Lumpur on Sunday. He is expected to be tried on charges of sexual misconduct and is under investigation for treason, sedition and unlawful

Washington's first official comment came only Thursday, in the form of a statement by the State Department spokesman, James Rubin, expressing

concern over the detention of Mr. Ibrahim. Asian representatives in Washington wanted a tougher American line, enunciated by Mr. Clin-

The international financial crisis is another cause for anxiety, although some foreign officials con-

tinue to say that Treasury Secretary Robert Rubin can manage U.S. economic policy with minimal White House help. Others suggest, although without offering any

preoccupied this past summer when economic troubles broke out in Asia, Russia and then Brazil, he might have been able to react much more aggressively.

And his legal troubles are widely blamed abroad for the president's inability to persuade Congress to A top-ranking State Department official said that authorize an additional \$18 billion for the In-

POLLS: U.S. Opinion Becomes Friendlier to Clinton

Continued from Page 1

to a narrow, partisan core of Republicans may carry long-term risks, however, if they give the party a lasting image as overly partisan and seeking primarily to topple a twice-elected president. The apparent resurgence for Mr. Clinton has

come swiftly and is surprisingly pronounced. Not only has the monthslong slide in his personal ratings halted but, in a marked shift from only a week ago, Americans also trust him more as a leader, like him more, are less inclined to think he committed perjury before the grand jury and increasingly believe that the scandal is a private matter that has little to do with his job as pres-

said that there was a "distinct possibility" the

technique would also cause inadvertent changes in

the fetus's "germline" cells — its eggs or sperm.

on the issue within the next two or three years.

Regulators said they probably would not decide

the University of Nevada.

Mr. Clinton is also helped by a growing sense among Americans that the investigation of his activities by the independent counsel Kenneth Starr has spiraled out of control. In a telling display of the public's exasperation

with the entire matter, people are now divided over whether Mr. Clinton should be censured by Con-At the moment, 46 percent of respondents favor

censure, and 55 percent of Republicans do so. Only a week ago, 57 percent of all Americans, according to the poll, wanted such punishment, as

did 70 percent of Republicans. Despite the more promising news for Mr. Clinton — his job approval rating has risen in the past week to a solid 67 percent, and even to a respectable

40 percent among conservative Republicans — his gains should be viewed in relative terms. Most Americans, for example, continue to sav that the president does not share their moral code. But the most striking finding in the telephone

against influenza A, which causes about two-thirds of flu cases. But they are useless against influenza of the University of Southern California, who poll, conducted nationwide Tuesday and Wednesday with 960 adults, was that on question after would lead the experiments with Esmail Zanjani of question Mr. Clinton had recaptured support. Summing up the sentiment of Americans who The proposal has raised concerns that the treathave grown impatient with the House Judiciary

ments might harm the mother or the fetus or lead to the birth of a partially cured but severely disabled Committee, Virginia Caperton, 68, a retired factory supervisor in Fennville, Michigan, said, "I just feel like the Judiciary Committee is too partisan." child who otherwise would have died before birth. Equally troubling to some, the researchers have

Mrs. Caperton, a Democrat, explained in a fol-low-up interview: "I don't think they're going to give him enough time to go through all of the testimony. I don't think that the offense that he committed is worth all the time and the trouble and the expense of impeachment hearings.

Italy to Battle Over Tight Budget

the start of symptoms and were given the medicine B, the viral strain that causes the rest.

ment braced for a battle with its hard-line Communist allies Friday after it unveiled a 1999 budget that sticks to defpean partners despite a slowdown in resigns in return.

economic growth. The leader of the Refounded Comeconomic growth.

In the budget it is sending to Parpercent of gross domestic product de-Italy's Refounded Communist Party

is divided over whether to back the budget, but hard-liners who say it does not do enough to create jobs are expected to prevail when the party takes a strategy vote next week.

The Refounded Communists are not part of the governing coalition, but force the government into a vote of Prime Minister Romano Prodi needs confidence but that the Communists their 34 votes to muster a majority in the then would likely back Mr. Prodi.

lower house. Without them, he might ROME - Italy's center-left govern- have to turn elsewhere, but it would be costly. The leader of the opposition centrists, former President Francesco Cossiga, has said he might back Mr. icit-cutting targets promised to Euro- Prodi's budget - but only if Mr. Prodi

munists' moderate wing, Armando Cosliament, the deficit target remains at 2 sutta, has warned that his party risks space new forecasts that domestic could bring the right to power. But product growth this year will be 1.8 Fansto Bertinotti, the party's hard-line percent instead of the 2.5 percent predicted last spring.

The budget, designed to keep Italy in line with the requirements for European monetary union, calls for \$8 billion (13.5 trillion lire) in deficit-cutting measures. Italy is a charter member of the euro, the common currency.

Mr. Cossign said a budget crisis might

Strong Nationalist Is Elected by Serbs

SARAJEVO, Bosnia-Herzegovina — A Serbian ultranationalist, Nikola Poplasen, has been elected president of Bosnia's Serb Republic. an election official told reporters on Friday.

He also said that a hard-line incumbent, Momcilo Krajisnik, had lost the race for the Serbian seat on the three-person collective state presidency in Bosnia to the more moderate Zivko Radisic of the Socialist Party.

The Croatian nationalist leader Ante Jelavic of the HDZ party won the contest for the Croatian seat on the presidency, while Alija Izetbegovic of the SDA party held on to

the Muslim seat.
The Sept. 12-13 election was organized by the Organization for Security and Cooperation in Europe.

Suharto Offers to Bare Accounts

JAKARTA - Former President

Suharto of Indonesia handed draft letters to the government on Friday that would empower the authorities to open any accounts in his name and to seize any money they discovered, Attorney General Mohammed Ghalib has said.

Mr. Suharto, accused of having amassed a fortune during his 32 years in office, came to hand over the drafts "of his own free will," Mr. Ghalib said. The letters were not signed, he said, because

the final versions are not ready. Mr. Ghalib said the visit was evidence the aging former head of state was "willing to come to the office any time" in connection with allegations he hid millions of dollars in foreign banks.

One of the draft authorization letters, he said, notified banks here and abroad on accounts in Mr. Suharto's name.

The other letter empowered the gov-

any money and return it to Indonesia Mr. Ghalib stressed that such a search would take time. "Even in the Philippines it took 12 years," he added, alluding to the drawn-out battle by Manila to recover the wealth accumulated

Mr. Ghalib said no travel ban would be imposed on Mr. Suharto despite the investigation under way into his finances. Mr. Suharto assured him, he said, that he was not going anywhere.

by Ferdinand Marcos while he was pres-

Asked whether Mr. Suharto's six children, all of whom have interests in companies, would be investigated. Mr. Ghalib said that was possible. "That depends on the development of

the investigation," he said, adding:
"The law is the same for everybody." Mr. Suharto, who stepped down May to turn over any information they have 21 amid protest demonstrations, has repeatedly denied holding "a single cent" in foreign accounts, and he challenged

errument to open the accounts, take anyone to find such wealth.

The Maya: A Culture Reborn

Exhibition in Venice Spans a Vast Civilization

By Roderick Conway Morris International Herald Tribus

ENICE — Until recently the Maya were a classic lost civilization, their abandoned cities and stupendous ziggurats buried in remote jungle, bearing mute witness to a vanished culture and a society about which little was known. In the 1950s the breakthrough came

with the first success at the decipherment of Maya script. This poinstaking work has progressed

steadily since then, and as a result the ancient Maya have been brought back to life, their silent cities peopled once again with kings, queens, priests, warriors, artists and craftsmen with names, titles, dates of birth, death and even more detailed personal histories.

The Maya are now accepted as having been the most advanced civilization in the pre-Columbian Americas.

Their writing system, mathematics (they invented the concept of 'zero'' hundreds of years before it was independently formulated in India), astronomy (they measured the solar cycle with an error of only 17.28 seconds and in their complex set of calendars there was one of 365 days) and architecture reached levels of sophistication unpar-alleled elsewhere in the New World.

The Maya civilization flourished for more than 2,000 years in an area of more than 325,000 square kilometers (about 125,000 square miles), now divided among southern Mexico, Guatemala, Belize, Honduras and El Salvador.

Palazzo Grassi on Venice's Grand Canal is hosting an impressive exhibition titled "The Maya." It consists of 600 pieces that bring together for the first time under one roof artifacts from every period from all these countries, with additional works from collections in England, Germany, the

Netherlands and the United States. The show, which continues until May 16, 1999, is accompanied by a lavish catalogue, including some beautiful photographs of the sites, in which nearly 30 experts present a wealth of fascinating material and many new revelations in succinct and readable essays.

While sharing a common culture, the Maya were divided among a number of kingdoms often at war with one another. Lack of unity put them at a severe disadvantage when the Spanish launched their conquest.

Yet, whereas the Aztec Mexico City fell after two years in 1521, the Maya, who were first invaded in 1527, put up such a ferocious and sustained resistance that the capital of the last kingdom to fall, that of the Itza at Nojpeten, was not captured until 1697.

The extraordinary story of this littleknown 170-year war, during which the Spanish, even after having established a colony were at one point ejected, is told by Grant D. Jones in the catalogue.

The strategy of the Itza included the establishing of a broad buffer zone between themselves and the enemy and a protracted campaign to retain, by violence where necessary, "the hearts and minds" of the Maya, who were forcibly or by persuasion being brought under sh control.

And, as Jones makes clear, had the

and their religious beliefs than we do, for example, about those of the Celts, who left no written records of their own. The Maya saw human sacrifice as an

activity essential to keeping the world and heavens running smoothly, regarding humankind not as passive observers of the cosmos but as mechanics entrusted with its maintenance.

Indeed, some scholars see the endemic warfare between kingdoms as motivated substantially by the need to take prisoners and keep up the supply of fodder for human sacrifice.

This bloodthirsty asect of Maya culture undermines the fashionable claim — avoided by this exhibition that, in view of their achievements in writing, science and architecture, the Maya were "the Greeks" of the New World. In fact, the Maya

more closely resembled the Romans, who com-bined a high level of civilization and expertise in building and practical infrastructure with the horrors of the Roman circus, which was not only a form of entertainment but an assertion of the power of the state and the circumscribing of disorder within a controlled ritual arena something with which a hypothetical Maya visitor to ancient Rome might well have been able to empathize.

For all the centuries of destruction, pillage and neglect, a sumptuous range of Maya art and artifacts has survived and their variety is well represented in the Palazzo Grassi show.

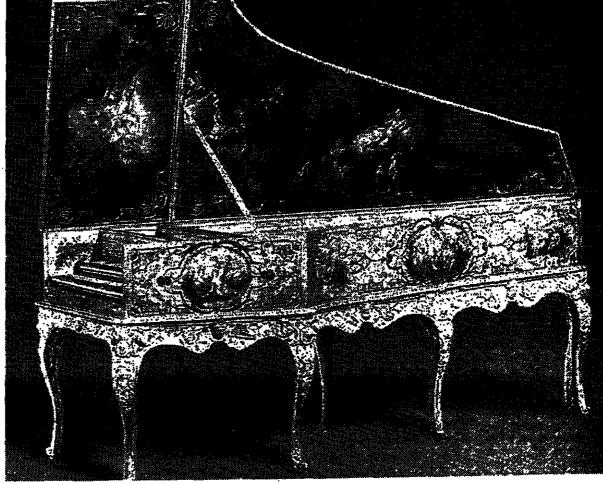
Thanks to the decoding of Maya texts, we understand the significance of these objects as never before. And, although Maya design seems at first characterized above all by static, stylized and symbolic representation, the exhibition also reveals the great delicacy of some Maya art and the naturalism and dynamism of which it was capable, notably in ceramic portraiture and models of

Maya not at an early stage been decim- human figures in motion.

The direct descendants of the Maya today number more than 3 million spread over a wide area. Most are poor peasants and live in Guatemala, where they constitute more than half the population, and in Honduras, Belize, El Salvador and Mexico, where the Zapatista uprising in Chiapas has won them worldwide attention.

The coming of peace to much of the rest of this area of Central America has made Maya sites and the Maya themselves more safely accessible than they have been for many years.

This is therefore a timely exhibition. laying before the public much that is new in an exciting field in which important archaeological sites are yet being located and major discoveries still



The 18th-century harpsichord by Nicolas and Francois-Etienne Blanchet, with a Flemish soundboard.

Paris Biennale, Old and New

By Souren Melikian

ARIS — There is nothing like the shadow of a crisis in the background to sharpen wits. The 19th Paris Antique Dealers' Biennale, which is on until Oct. 4, has never been so interesting.

Courbet, Monet, Vuillard. And then Matisse, Braque, Nicolas de Stael, even Botero: The massive intrusion of modemity into what used to be the grand showcase of the Grand Siecle and the Pompadour age merged in one says a lot about the deep transformation of French society in the past decade.

The showcase is still there, intact, like those period facades lining Paris streets, behind which heavy machinery grinds everything to dust to make way for high-tech interiors. Between them, the galleries Didier Aaron, Maurice Segoura, Michel, Meyer and a few more manage the right number of marquetry commodes, giltwood fanteuils, glittering chandeliers and candlesticks to keep up the theatrical version of the Versailles court style that has been ever since the French revolutionaries

tried to burn it all down. But even in its most traditional displays the 1998 Biennale betrays an effort to use novelty to grip the col-lectors' attention. Maurice Segoura proudly exhibited a Louis XVI commode by Philippe Pasquier, who loved the marbled pattern of yew burr. The contrast between the abstract shimmer in rich brown hues and the crisp, monumental ormolu fittings in the ancient Roman taste is striking.

Most revealing in the search for novelty is the recent development of cross-border partnerships. In the decorative arts, where the sense of French identity was traditionally fiercely selfassertive, this is a small revolution. Jean-Marie Rossi of Aveline, one of the great French connoisseurs of furniture, teamed with the Galerie Neuse of Bremen. Their joint effort is remarkable.

On their stand, a pair of black lacquer tables made around 1745 that graced Schloss Dahlen in Saxony have a sharpness sparingly enhanced by gilding and a thrust to their slender curving legs unmatched in French rococo. Among the German silver vessels, a beaker struck by Jobst von der Gabor of Bratislava (he would have called it Pressburg) with the mark for 1589 stands out as a reminder that German culture was seeping into Cen-

tral Europe.
The Renaissance engraved decor-

ation of the beaker draws on the Venetian repertoire including its massive borrowing from Iranian abstract ornament - those were the days of true internationalism when strongly indi-vidualized cultures existed and crossfertilized.

Achim Neuse says that objects such as this have a strong appeal in France, where there are more collectors of Renaissance art than anywhere else. This is, after all, the only country that can boast a "Musee National de la Renaissance," at Ecouen, 30 kilometers from Paris.

An even more surprising partner-ship brought together the Pelham Galleries of London and Etienne Levy Ltd. of Paris. Alan Rubin, who runs the Pelham Galleries and is a passionate musicologist married to the pianist Linda Nicholson, brought over French harpsichord made around 1720 by Micolas and Franceic Etiepec. Blancher of Paris, adapting the sound board of Elemish harpsichord. This, Rabin explained in highly technical detail, can only be the work of loannes

Ruckers and Ioannes Couchet, somewhere around 1645. Flemish harpas sought after in the 18th century as a Stradivarius violin would be today. With barbed humor, Rubin topped this essay in internationalism with one less complimentary to the French. Over the harpsichord hangs a lantern

made after a design by George Bullock, with a brass plate riveted to its base: "The Lamp of Buonaparte, used St Helen 1821." Rubin believes the plaque was added when the contents of Longwood House, where Napoleon died, were sold at anction. The public has responded to the

novelty. It is not dancing its way into it, but it is buying. Segoura's \$450,000 commode by Pasquier was sold Wednesday. At Didier Aaron, a New Yorker acquired a \$500,000 pair of girandoles in gilded bronze which Herve Aaron dates from around 1765-1770. And a pastel self-portrait by Claude Hoin, best known for his miniatures, will adom the East Coast home of a connoisseur willing to foot the bill of \$80,000 or so.

Where the decor in which they live is concerned, those with the cash keep buying, even if they tend to look more

sharply at what they pay for.

The biggest issue will be painting. While the days of starry-eyed buying are over, sharpened awareness that, as supplies dwindle, a picture missed may not come back has an impact even in the lower financial strata.

Eric Coatalem of Paris discovered 26 studies in oil on paper in which

BOOKS

scape painting of that period, recognized the hand of George August Wallis. The Englishman, who exhibited briefly at the Royal Academy in 1785, might have risen to greater fame had he not left for Italy three years later. Clearly influenced by some of the Ger man artists he met there, he developed a thoroughly individualized style in which he produced some gems from the Roman Campagna view sole to an English collector for 130,000 francs (\$23,215) to the 200,000 franc landscape with the Tiber acquired by

hinese Furn

an American gallery. In higher financial slots, Waring Hopkins of Paris, as usual, did well. An 825,000 franc gouache by Henry Moore went to a European couple. A \$525,000 interior scene by Vuillard had already left the stand, and a \$500,000 Maurice de Vlamiock was bound for New York, He was lucky. He got away with showing a huge painting by Balthus, of a very young girl lying in the nucle, legs apart, which struck many as outrageous.

The bigger transactions will take weeks. There should not be any probmasterpieces in a minor key such as Zuccarelli's ferociously lucid self portrait in wash over pencil at Yves Mikaeloff's, or a delicate Venetian view in pen and ink by Francesco Guardi at Colnaghi's, or the museum pieces to be seen here and there.

RAME & Lorenceau hung on their stand the most beautiful landscape by Theodore Rousseau I remember seeing on the market, and it would be hard to come up with a much better transitional Monet than the Zaandam view of 1871 displayed by Philippe Cazeau and Jacques de la Beraudiere, Emanuel Schmit of Paris chose just the right still life of apples if he meant to prove that Gustave Caillebotte was not simply a rich man eager to help the Impressionists whom he so admired, but a greater painter than is acknowledged.

The desire to buy in the public is borne out, if need be, by a story told by Robert Stoppenbach at Delestre & Stoppenbach of London. A collector who had seen their Impressionist view by Victor Vignon and could not remember their name rang the fair organizers from his distant home in the provinces describing the picture and the route he had followed at the fair. Was it still available? It was. Stoppenbach & Delestre would not sell it until he had seen it again. As long as collectors like him are around, the market will be in good shape.

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PARIS

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TITLE MATCHES By Randolph Ross

Figurine from late classic period, from Jaina Island, Mexico.

ated by new diseases such as chicken pox

region might have ended in total defeat.

against the Maya was the destruction of

their thousands of books, a campaign

spearheaded by the Franciscans, who

while preaching harmony and brotherly

love presided over a cultural scorched-

earth policy, backed up by the threat of the physical extermination of any who

So complete was the friars' success

that only four books in Maya script have

come down to us. Fortunately these

have proved sufficient to help unlock

the legion of other inscriptions in stone

Consequently, we now know infinitely

more about the Maya view of the universe

and on ceramic and other materials.

One of the greatest crimes perpetrated

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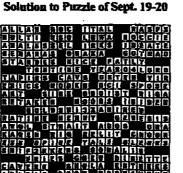
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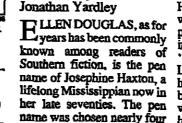
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TRUTH

to Tell

Four Stories I Am

\$18.95. Algonquin.

Reviewed by

Finally Old Enough

By Ellen Douglas. 221 pages.

name was chosen nearly four decades ago for her first novel, "A Family's Affairs," because the work was "based very closely on the lives of

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ladies who would take a dim slaves were alleged to have view of having that privacy planned an "uprising to coviolated in a book that any-body might buy and read." the Yankees," an apprehen-Thus her aunts' reticence

combined with the author's in-

nate good manners to produce tary evidence is fairly slender an alias that, once chosen, Haxton/Douglas has stayed with. In her career she has published eight novels, including "The Rock Cried Out" "Apostles of Light," and "A So here we have an event Lifetime Burning." These recorded, however incomhave often dealt with relations between Southern blacks and whites and have generally been enthusiastically received. not so much for the correct-

pletely, in history, one that seems to cry out for explanation and that touches deep, painful places in the heart and soul of this writer. ness of Douglas's views but because of the sensitivity and in "On Second Creek," the last of the autobiographical wisdom with which she treats

us subject. cssays in "Truth: Four Stoone among the myths that
form the lives of families and ways written fiction, not least to Tell." Each deals in its because as she says in this different fashion with this new book, novelists have "a question of fact and fiction free hand." She says this in and each deals, in one way or the course of ruminating another, with death. about "the torture and executions of 30 or more

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to have been unfounded.

But it is known that the vi-

olence occurred and that

some of Douglas's forebears

So here we have an event

were involved in it.

In many respects the best essay is "Hampton," in which slaves" in 1861 in Missis- Donglas writes about a dig-

my two aunts, very private sippi's Adams County. The nified, quietly angry black man who worked for her family for more than two decades beginning in 1931. She finds, in his own story and its mean-

ing for her, important lessons: As I grow older, the past is an increasing weight in balance scale of my life, and the present lighter, more ephemeral. The dust of the present blows away, the past grows more real, heavier. . . But although I call up these memories, although they are my own, I have reservations. I know that I put words in the mouths of people who did not speak them. I imagine scenes at which I was not present I know that this is my world and no one else's - my stories. my history. Or myth, perhaps, sometimes of larger worlds.

It is, in any event, a lovely book but a small and some-what enigmatic one, though not the best introduction to her work. For that, any of her novels will more than suffice.

New York Times Service New York Times Service

ه كذا من الاصل



Chinese Furniture in 'Context'

By Rita Reif New York Times Service

INNEAPOLIS -Bruce Dayton, a longtime trustee at the Minneapolis Institute of Arts, is a nudger and risk taker. In running Dayton-Hudson Corp, the retailing giant that his grandfather founded in 1902. he was known as a man who said little, relying on firm but room or house out of China in gentle prodding to get people to do what he wanted.

Two years ago, Dayton nudged Robert Jacobsen, the museum's curator of Asian art. The two men were looking over the 75 pieces of Ming and Ching furniture that Dayton and his wife, Ruth, had bought and given to the museum since 1991. Construction of its expanded galleries was beginning, and Dayton and Jacobsen were Dayton and Jacobsen were After inspecting seven discussing ways that the fur-structures in five villages, niture could be exhibited.

two period rooms that are the an 18th-century latticecenterpiece of the Asian art framed scholar's studio with complex, part of the museum's expanded galleries, which will have their grand a room you could prove was a complex of the museum's expanded galleries.

opening Sunday.
Initially, the men talked about making a replica of a bought was storing iron pipes

AUCTION SALES

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HISTORICA

period room. Then Jacobsen and beehives, but it had its antique furniture until he period room, an all-purpose studio of gratifying disspace like a reception hall," course."

Architectural Architectural elements from Chinese buildings were showing up at that time in antiques galleries from Hong Kong to New York and London. But no one had brought a more than 50 years.

Backed by Dayton, who said such a trip might be risky and costly but was worth the gamble, Jacobsen flew to Shanghai and traveled west to Suzhou near Lake Tai. It was in that area that the literati style of furnishings flourished among the clite in the late Ming period, when men preferred to write music and poetry rather than go to war.

"Bruce always thinks his findings to Dayton. He about how things will look in the museum," Jacobsen said. Jacobsen flew back to report "So he asked me about how propriate for the museum, and the furniture would be shown, saying, 'Can't there be some century house with a soaring ontext?''' reception hall, graced by a The result will be seen in glorious carved ceiling, and

> library or scholar's studio,' Jacobsen said. "The one we

proposed an alternative. "It's own plaque, dated 1797, and a long shot, but let me go to an inscription on a beam that China and find an authentic described the room as 'the

> A year ago, a crew of 13 Chinese artisans spent five weeks dismantling the two structures. Last winter, after long tables, and the practicthe parts were cleaned and repaired, they were shipped seemed akin to Bauhans here. And in April, four of the designs and the Mondrian workmen who had disaspaintings he collected. sembled the structures were flown in from China to reassemble them at the mu-

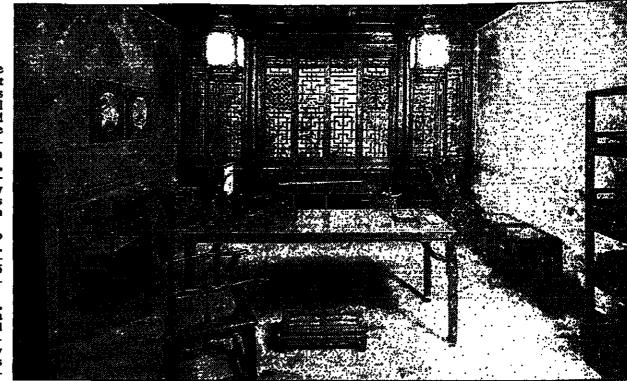
seum, a three-month task.
"Our timing in pursuing rooms was sheer luck," Jacobsen said. Until the 1990s, when the shift to private ownership began in China, the Communist government had forbidden the export of houses and rooms. Other American buyers have followed snit.

Dayton had never bought

gave the museum his first cabinet and a pair of chairs, all Ming. Chinese furniture had struck a chord with him: the plain surfaces and stark silhouettes, the high backs on chairs, the legginess of lean, ality of folding chairs. They paintings he collected.

Dayton paid the costs to buy the structures, dismantle, ship and reassemble them a total of \$1 million. The 75 pieces of Ming and Ching furniture cost 10 times that.

The Daytons' generosity, Jacobsen said, cut through a lot of red tape. "If we would have gone through an accessions committee, piece by piece, these Chinese galleries never would have happened," he said. "We were able to act quickly."



The 18th-century Chinese scholar's study acquired by the Minneapolis Institute of Arts.

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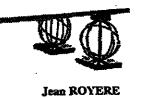
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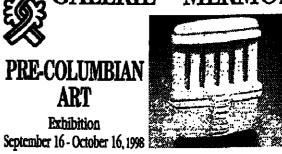
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Asian Quagnin VIENNA: SPOTLIGHT ON THE EURO

COUNTDOWN TO EURO LAUNCH

A smooth debut is a heavy responsibility for the Austrian EU presidency.

uro-Day is looming. On Jan. I, 1999, the majority of European Union member countries will introduce the euro as an accounting unit as the first step toward dropping their own marks, francs, schillings and other national currencies three years down the line. Just how smoothly this transition to a single currency will be ac-complished depends to a great extent on decisions being

reached during Austria's cur-rent six-month presidency of the European Council.



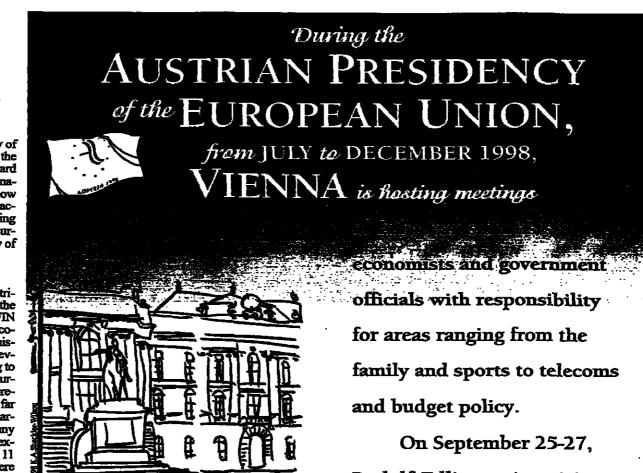
All systems go Rudolf Edlinger, the Austri-an finance minister is the chairman of the ECOFIN Council of all 15 EU economics and finance ministers. He is confident that everything will go according to plan. "The common cur-

rency has been very well pre-pared," he says, "and as far as can be foreseen the markets will not encounter any problems." Bilateral exchange rates among the 11 participating members were fixed on May 2, 1998, and the national currencies will be brought into a definitive

relationship with the euro on Dec. 31, 1998. On Friday, the Euro-11 Group, made up of finance ministers from the countries taking part in Economic and Mon-etary Union, met to discuss such matters as who should represent the euro-currency area in transactions with external organizations such as the International Monetary Fund. Should it be the current EU presidency's finance minister, irrespective of whether the latter's country is among the 11? This politically loaded question could easily give rise to tension in the newborn curo structure, and it is of the utmost importance that an environment of confidence in the EU's single currency should be created from the very start.

On ECOFIN's agenda is a less controversial but far more intricate matter. The finance ministers, the president of the European Central Bank, the governors of members' central banks and the European Commission will have to settle the technical modalities for the euro's debut, including exactly how the euro will be launched and how its definitive exchange rate will be settled.

Since at least 500 journalists from all over the EU and overseas will be reporting on this informal ECOFIN gathering in Vienna, the host country is at pains to ensure they have every possible facility at their disposal in the press center located in the Festival Hall of the Hofburg Palace, a



Rudolf Edlinger, Austria's minister of finance,

welcomes his EU counterparts to continue their work leading up to the intro-

duction of a single European

currency.

history-drenched setting for reporting on a turning point in European, and perhaps world, history.

TAX COORDINATION OR COMPETITION?

In the following interview, Finance Minister Rudolf Edlinger of Austria discusses the issues facing him and his EU counterparts as they meet in Vienna.

Michael Häupi (left), mayor of Vienne, with Walter Netfig, president

of the Vierne Chamber of Commerce, on the belcony of the Vierne

House, the city's permanent representation at European Union headquarters in Brussels.

The finance ministers of the severe impediment to full member-states of the Euro- realization of European unpean Union are currently ion. meeting in Vienna. As fiand as host, what are your presidency?

priorities for discussion? pean Union's plan to admit ward to the next incumbent, on which will have to be tion, for instance, could not ency with what I prefer to call labor. completed in time for sub- possibly be completed within mission to the European Par- six months. liament in Spring 1999. I want to have a debate, from do you anticipate tension bethe technical point of view, countries and the four on tax coordination. And there is also the highly political matter of employment agreed from the start that policies in the EU, because economic coordination the present figure of 11 per-

Isn't this list of topics nance minister of the country rather ambitious for Ausholding the EU presidency tria's half-year in the EU

No, that is not the point. First, there is the final tran- Each successive presidency without irritation. Then there previous one and also estabis Agenda 2000 [the Euro- lishes thernes looking forapplicant countries in Central in this case Germany. My and Eastern Europe], work proposal for tax coordina-

> With respect to the euro, "outs"?

Not really, because we



sition phase to the euro, sition phase to the euro, which has sition phase to the euro, picks up the work which has sition phase to the euro, picks up the work which has sition phase to the euro, picks up the work which has sition phase to the euro, picks up the work which has sition phase to the euro, picks up the work which has predecessor as president of the ECOFIN ministerial council, predecessor as p

European Central Bank, and ation levels for workers. The that we, the "ins," should result is that we have a relthe four "pre-ins." That is Taxation on labor earnings why Euro-11 [the group of has risen in this period by 7 finance ministers of the percent, whereas on capital it countries in EMU] has de- has decreased by 10 percent. the political as well as from tween the 11 "in" member cided to meet at least once This means finding new during every presidency with bases for taxation. It is dif-

differences. The idea of aligning tax policies in the European Un- Competition would be totally would be a major concern of ion has encountered skepticont jobless (18 million persons in all) represents a ion, in consultation with the since it is seen to imply unified tax levels throughout the in another. That is what I Union. What is your argument in favor?

> portance when the common currency is established and .1998? unbalanced competitiveness could occur as a result of gress in Vienna. My intention [national] tax legislation. A is to investigate which taxes fine line must be drawn to in which parts of the EU establish how individual cause competition problems member countries can re- so that we can reach conmain competitive on inter- clusions at a completely unnational markets as well as emotional level. against each other. This, in its turn, will have a major effect lengthy process. It takes a on employment policies and minimum of one and a half vice versa, because develop-ments in the last 11 to 12 introduce a tax reform, so European Union have led to this will take if 15 countries permanently increasing tax- are involved.

> maintain complete transpar- atively high tax burden on

the "pre-ins" to settle any ficult because the circumstances in various countries

are completely different. distorted, for instance, if energy taxation were introduced in one country and not mean by coordination.

Will a packaged financial Think of it perhaps rather solution be prepared at this as "tax coordination," a informal ECOFIN meeting question that will gain in im- for presentation to the European Council in December

We will have to make progress in Vienna. My intention

Tax coordination is a years in countries of the you can imagine how long

"Vienna: Spotlight on the Euro" was produced in its entirety by the Advertising Department of the International Herald Tribune. It was sponsored by the Austrian Finance Ministry and the City of Vienna. Warran: David Heringes in Vienna. PROGRAM DIRECTOR: Bill Mahder.

CALENDAR

HAPPENINGS IN VIENNA

During the Austrian presidency of the European Union, Vienna is hosting a number of meetings of EU officials, and the city has adapted the agendas of many of its own upcoming international meetings, conferences and forums to align them with those of Austria's presidency.

— Oct. 1-2 —

Conference on the Community Initiative URBAN: The meeting will focus on fostering exchange and networking among the cities taking part in URBAN. Topics will include economic urban renewal, public participation and methods of evaluating policy.

- Oct. 1-3 --UCUE Conference: Mayors of European capitals will attend this meeting of the Union of the Capitals of the

-- Oct. 29-30 --

Informal Meeting of EU Justice and Interior Ministers: Among issues to be addressed are the implementation of an action plan to combat organized crime and the formulation of a comprehensive European migration strategy.

— Nov. 34 —

Ministerial Conference of the European Union with the Southern African Development Community: The conference is part of an ongoing dialogue with 14 countries in the region aspiring to a continent-wide "African Renaissance" of political stability and economic advancement. Other issues include drugs, anti-personnel mines and AIDS.

Drug Prevention and Drug Policy: The conference, organized by the City of Vienna with the European Commission and the UN Drug Control Program, aims to provide a new impulse toward an innovative Europe-wide drugabuse prevention policy.

— Nov. 26-27 —

Urban Forum City Conference: The main conference and workshops will address areas such as productivity and employment in cities, integration policies, sustainable urban development and regional development.

- Dec. 7-11 -

Preparatory Commission for the Comprehensive Nuclear Test-Ban Treaty Organization: "PrepCom" is engaged in creating a worldwide, 321-station monitoring system feeding all data received to a technical evaluation center in

--- Dec. 11-12 ---

European Council Summit Meeting: Coming near the end of Austria's six-month EU presidency, the occasion unites all EU heads of government and the president of the European Commission. Topics are not revealed in advance, but it is expected that the imminent introduction of the euro will feature prominently.

For more information, contact: International Relations Office of the City of Vienna: Tel.: (43 1) 4000 82565 Fax: (43 1) 4000 7200 E-mail: post@mib.magwien.gv.at

BUILDING REGIONAL URBAN NETWORKS

Vienna seeks to emphasize the contributions of cities to social and economic cohesion in Europe.

uring the latter half of 1998, Vienna has a double claim to be considered a principal European city. Not only is it the seat of the European Union presidency, but it is also currently the home of the Union of the Capitals of Europe.

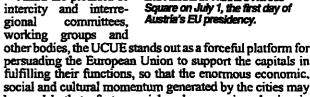
At the invitation of Michael Haupl, the mayor of Vienna, the mayors of all the EU capitals will be coming together at the beginning of October to discuss "The Urban Policy of the EU." Special invitations have also been extended to representatives of the EU applicants' capitals, Budapest, Ljubljana, Nicosia, Prague, Tallinn and Warsaw, as well as to the mayor of Bratislava in Slovakia, Austria's only eastern neighbor not included in the list of EU candidates so

Mr. Häupl, the present spokesman for the UCUE, is also executive president of the Council of Local Authorities and Regions of Europe, a body that transcends the borders of the

Mr. Häupl plans to seize the opportunity of the autumn meeting to proclaim and propagate some of his ideas regarding social policy. In particular, he says, he will stand up for the needs of his citizens on the international stage.

Focus on employment "Above all, we want to use our active role within the network of cities to focus everyone's attention on employment policies as the main issue. For this, it is necessary to build European networks. I will do everything to see that Vienna is at the hub of this cooperation."

Amid the plethora of intercity and interregional committees,



The flags of the European Union

and Austria at Vienna's Heroes

fulfilling their functions, so that the enormous economic, social and cultural momentum generated by the cities may be used both to foster social and economic cohesion in Europe and to increase European competitiveness at every

The importance of cities

In its activities connected with the presidency, Vienna is accordingly stressing the importance that urban conglomerations have in the European Union. At the same time, it is presenting itself as a very lively, modern city, with a certain ulterior motive: to convince Brussels that urban areas should qualify for generous EU assistance. Good urban management is an expensive undertaking that benefits large numbers of people and is worthy of support.

To demonstrate this to the public at large, Vienna has arranged a number of conferences dealing especially with the effects closer union among European countries is likely to have on big cities. One of the main events will be an "Urban Forum," to be run jointly by the European Commission and the City of Vienna. This will be the first EU conference to examine the interacting problems of urban policy and the Union.

Coinciding with the UCUE meeting, the URBAN Community initiative to revitalize rundown urban areas will be launched on Oct. 1-2. In Vienna, the project chosen will promote business activities and improve housing in the outer ring-road "Gürtel area."

INTERNATIONAL **ORGANIZATIONS** CALL VIENNA HOME

uge posters lining the highway approaches to the city through the Vienna Woods and from the airport say simply "Servus in Wien!" The phrase is a typically Central European greeting, implying first-name familiarity coupled with warmth and security. During Austria's presidency of the European Union, it is

just the right sort of welcome to a city famed for its easygoing lifestyle and high standard of personal safety. More than forty years have passed since Vienna first gave

a home to an important United Nations body (the International Atomic Energy Agency). Since then, the city has become the permanent headquarters for a wide range of UN and affiliated organizations, as well as for numerous intergovernmental and nongovernmental organizations.

The UN Industrial Development Organization has been firmly established here since the 1960s. The latest family addition, the Preparatory Commission for the Comprehensive Nuclear Test-Ban Treaty Organization, also has offices in the Vienna International Centre, popularly known

as the "UN City."

The Organization for Security and Cooperation in Europe has picked a more central location (near the Vienna State Opera) for its operational headquarters.

One of the NGOs that has chosen to settle in Vienna is the Worldwide Fund for Nature. Its ongoing "Green Danube — A European Lifeline" program, whose mission is to restore and improve the great river's ecological balance in the aftermath of the rumous handling it received downstream from Austria during the communist era, is making good headway.

Understandably, in this 50th anniversary year of the signing of the Universal Declaration of Human Rights, close attention is being focused on the work done by two other Vienna-based bodies, the International Helsinki Federation and the EU Monitoring Centre on Racism and Xenophobia, as well as the Austrian chapter of Amnesty International.

Austria's current presidency of the European Union has been seized on by Vienna as an opportunity to demonstrate the city's cordial efficiency.

When economic and finance ministers and central bank governors from all the 15 EU member-states gather --- even for an informal meeting — their doings inevitably attract much attention, and the municipality is going to considerable lengths to anticipate the requirements of the world's press while covering the ECOFIN meeting. •

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On the Front Line of the Global Financial Crisis

Is the World Bank Just a 'Cash Machine' For Emergency Aid?

By Paul Blustein **Vashington Post Service**

WASHINGTON - Pumping billions of dollars into international rescue packages for crisis-stricken economies is hardly the customary role of the World Bank, which traditionally specializes in anti-poverty lending to foster long-term development in the Third World.

But these are extraordinary times as the bank's annual report makes clear. The report, released Thursday, shows how the global financial crisis has caused the bank to move beyond its focus on funding individual projects such as roads, irrigation systems and health and nutrition programs in developing countries.

Some analysts say the World Bank is starting to look like something of a cash machine for international bailouts because the International Monetary Fund - the main source of short-term loans to countries in financial distress - is running low on funds.

headquarters are in Washington, are purposes in easing the effects of crises, controlled by their largest contributors, such as paying for essential imports. the governments of the United States and other industrial nations.

\$28.6 billion in loans in the year ended tively, of total lending. The biggest June 30 — up nearly 50 percent from recipient was South Korea, which — at the previous year, with the biggest the brink of default last December —

The World Bank in Profile Structure: Comprises five organizations, including the International Bank for Reconstruction and Development and the International Development Association. Provides: Loans, technical assistance and policy guidance to developing countries to reduce poverty and improve living: Established: July 1944, at a United Nations conference in Bretton Woods, New Hampshire. Employees: About 10,000 President: James D.

Source: World Bank Group

more important, the bank's mix of ternational rescue package totaling alloans has changed drastically because most \$60 billion.
of its contributions to rescue packages In his foreword for countries suffering massive outflows of capital.

"structural adjustment" loans, which are disbursed faster than traditional inning low on funds.

The two institutions, whose project loans and provide countries with funds that can be used for broad

That's a huge increase from 1997 and 1996, when such loans accounted Not only did the bank pledge a record for 9 percent and 2 percent, respec-

In his foreword to the annual report,

the World Bank's president, James ows of capital. Wolfensohn, wrote that the financial Nearly two-fifths of all the bank's crisis in East Asia "has highlighted the lending in the last year consisted of fact that financial and social policy must go hand in hand."

Morris Goldstein, a former IMF official who is now a scholar at the Institute for International Economics, -said, "As the usual crisis lenders have gotten lower in funding, and as demands for assistance have gone up, the World Bank has been called in to serve in a role beyond its traditional mandate."

Bank officials bridle at suggestions that their role is becoming blurred with that of the IMF, arguing that crisis lendshare of the money going to the trou- was promised as much as \$10 billion in ing is a logical extension of the bank's bled East Asia and Pacific region—but World Bank loans as part of an inchief mission of fighting poverty. The

to be identified by name, conceded no U.S. money to stabilize one of the United States' largest trading partners. Any such move would have echoes of the 1995 bailout of Mexico, a step that Mr. Clinton made in defiance of Con-

gency fund" now being assembled for is conserving every vote he can in Con-Latin America — chiefly to support gress to ward off impeachment threats. The IMF official noted that the govemment of Brazil's president, Fernando Henrique Cardoso, who that the bank maintains on its exposure

Fiscal year through June 30, in billions of dollars

6.04

3.86

East Asia/Pacific

Latin America*

South Asia

Sub-Saharan Africa 2.87

Mideast/N,Africa ■ 0.96

Europe/Cent. Asla .

bank played a similar role, although on

a smaller scale, during the Latin Amer-

ican debt crisis of the 1980s.

'96 '97 '98

"Long-term structural reform begins at the moment of crisis, and it is ab-solutely appropriate that we are in there, just behind the IMF's shoulder," said Mark Malloch Brown, the bank's vice president for external affairs. "So when we see ourselves as getting involved in these emergencies," he said, it is "not to in any way substitute or supplement" the IMF's crisis-management role but to "immediately begin the long-term repair/rehabilitation/strengthening

role" in many sectors of the economy Other bank officials point out that crisis-ridden countries need capital if their economies are to start growing again and need growth to reverse the increase in poverty that has followed the plunge in their stock markets and currencies. Moreover, some of the loans to ease the impact of crises have involved shifting funds from old projects to new ones — such as a \$300 million loan for Indonesia to help families bear the cost of keeping their children in school.

In some ways, the surge in crisis lending comes at an opportune time for the World Bank. Not so long ago, critics were questioning the need for the bank when enormous amounts of private capital were available to finance projects the bank once domigiven billions of dollars in new aid nor recession" in the coming months. He officials are kery about repeating the nated, such as electric power plants and allow Congress to impose conditions on also made clear that a luge "contine experience, especially when Mr. Clinton telephone networks. The bank telephone networks. The bank countered that it was funding many worthwhile projects that would not get built otherwise. Still, Mr. Malloch Brown conceded, because of ceilings

now may reduce the availability of re-

sources for

"longer-term reform"

Finance Dispute Hits Primakov's Cabinet

Shokhin, Key Centrist, Says He's Resigning

By David Hoffman Washington Post Service

MOSCOW - A leader of the centrists in the new government of Prime Minister Yevgeni Primakov abruptly threw in the towel Friday after less than two weeks on the job, casting yet another cloud over faltering attempts to

stabilize Russia's economy.

Alexander Shokhin, who was deputy prime minister for finance, said he had decided to abandon the government because of Mr. Primakov's decision, announced earlier Friday, to reappoint the incumbent finance minister, Mikhail Zadornov, a reformist former legisla-

Mr. Shokhin said he wanted Mr. Zadomov dumped because he participated in the decision made Aug. 17 to devalue the ruble that set off the latest

economic crisis. The devaluation was accompanied by a default on domestic bonds and a mor-

atorium on paying foreign creditors.

Mr. Shokhin complained that Mr.

Zadornov was among those "who have already deceived the country by declaring it bankrupt in an especially cyn-

Hours after Mr. Shokhin's announcement, the Primakov government was hit by another departure, that of Dmitri Vasilyev, head of the Federal Securities

He, too, cited the Zadomov reappointment in a statement confirming

Mr. Vasilyev, who was in charge of regulating Russia's stock markets, was close to the economic reformers, such as Anatoli Chubais, who have come under fire for the turbulent aftermath of the ruble devaluation.

Among other problems, Russia's stock market Friday reached a new bottom, falling to the level at which it first opened in August 1995.

The resignations appear certain to deepen uncertainty about Mr. Primakov's government, which has been slow to take shape and has been characterized by sharply differing ideological camps, including Soviet-era economic planners as well as marketoriented reformers.

Mr. Primakov, who has yet to outline a blueprint for dealing with Russia's economic turmoil, blasted Mr. Shokhin's decision in a statement as "capricious" and "irresponsible."

On Thursday, Mr. Primakov nounced at a cabinet meeting that the Aug. 17 devaluation decision had been

taken without the "advice or sanction" of President Boris Yeltsin. The Kremlin said Friday that the Russian president had known of the decision, although not

the "scale" of its aftermath.
Mr. Shokhin, 47, had in recent days been leading tense negotiations with Western creditors over Russia's default on its internal debts. Only Friday, Mr. Shokhin headed a delegation meeting with the International Monetary Fund.

Mr. Shokhin was also the leading centrist in the cabinet. In resigning, Mr. Shokhin said, "It is very difficult to negotiate with investors and creditors when the key government posts are held by liars."

A veteran of reform-era governments after the Soviet collapse, Mr. Shokhin was a leader of Our Home Is Russia, the bloc in Parliament founded by former Prime Minister Viktor Chemomyrdin. The group voted for Mr. Primakov's appointment, but another leader of the

See RUSSIA, Page 15

Marketing And Bottling To Be Split At PepsiCo

The Associated Press
NEW YORK — PepsiCo Inc. said Friday it would divide its North American soft-drink business into separate bottling and marketing divisions and named its top beverage executive to head the new bottling unit.

The moves came as PepsiCo's board continued to examine the possibility of selling a substantial share of the North American bottling business to the public. It disclosed in July that it was looking at that option, but a spokesman said no decision had been reached.

If it proceeds with the sale of stock in the bottling unit, PepsiCo would be adopting a structure similar to that of its main soft drink rival, the industry leader Coca-Cola Co.

PepsiCo, America's secondbiggest soft drink company, says the separation will make it more competitive and more responsive to retail customers regardless of whether it

sells stock in the bottling business. Craig Weatherup, a 24-year vet-eran who has been chairman and chief executive of the global Pepsi-Cola soft-drink business since 1996, will be chairman of the new Pepsi Bottling Group, reporting to PensiCo's chairman and chief executive officer, Roger Enrico.

The bottling division will comprise all of Pepsi-Cola's companyowned bottling operations in the United States and Canada. Those operations currently account for about 57 percent of the Pepsi soft drinks sold in the United States and 75 percent of those sold in Canada. Pepsi's stock fell 56.25 cents to close at \$30.4375.

Coke's Earnings Fall Short Coca-Cola, the world's largest

beverage company, forecast lower-than-expected earnings for the rest of 1998 as sales slowed because of currency and economic troubles in Asia, Latin America and Eastern Europe, Bloomberg News reported Coke estimated third-quarter earn-

ings at 35 cents a share, flat with its profit a year earlier before gains from bottling transactions. The company had been expected to earn 39 cents a share. Its shares, which have lost \$80 billion in market value in two months, fell 43.75 cents to \$56.25.

IMF Lashes Out at Russian and U.S. Pressure

By David E. Sanger New York Times Service

WASHINGTON - A senior official of the International Monetary Fund has warned that he will neither submit to the "blackmail" of Russian leaders who threaten national default if they are not the Fund in return for \$18 billion in new contributions from the United States. The comments came as the IMF

faced the most intense criticism of its 53-year history, accused of mismanaging the spreading global financial fects of its prescriptions.

mistakes on the part of the institution during his 90-minute breakfast with a large group of reporters Thursday morning in the Fund's dining rooms. While he conceded that the world

economy was "in a mess," he insisted that it would not "fall into a world allow Congress to impose conditions on also made clear that a large "contin-Brazil - would require direct contributions from major economic powers around the globe, including the United States.

ministration has refused to publicly dis-But the senior official, who asked not cuss whether it would agree to commit

gress, which overwhelmingly opposed the loans. Although Mexico fully repaid the full \$12 billion loan, administration

faces a national election in 10 days, had to individual countries, crisis lending made no "formal" request for aid.

See IMF, Page 17

*Hedge Fund Meltdown: A Saga of Bad Bets and Jittery Markets

By Peter Truell New York Times Service

NEW YORK - When Salomon Brothers, the swashbuckling Wall Street firm of the 1980s, was raking in the money - hundreds of millions, even billions, of dollars - investors would grin at one another and say, "J. M.'s done it again."

"J. M." is John Meriwether, who,

with a small and intensely loyal band of colleagues, turned vast profits by using complex trading strategies and huge amounts of capital to exploit price discrepancies in the world's bond markets. Now, in perhaps the clearest sign to ate of the current fragile state of global financial markets, Mr. Meriwether's

latest bubble has burst. No longer at Salomon, he - still pursuing his secretive strategies - is at the center of a \$90 billion storm, a storm that led to this week's \$3.7 billion bailout of his hedge fund orchestrated by the Federal Reserve Bank of New York. Those who put up the cash for this

bailout — who included such illustrious investment names as Merrill Lynch, J. P. Morgan, Deutsche Bank, UBS, Morgan Stanley Dean Witter, Goldman Sachs and Chase Manhattan — in return got 90 percent of Meriwether's company, Long-Term Capital Management of Greenwich, Connecticut.

Hardest hit are Mr. Meriwether, 51, and his colleagues. At the end of 1997, the nearly 200 employees of Long-Term Capital held about 30 percent — or \$690 million — of the hedge fund's \$2.3 billion in capital, said Peter Rosenthal, a spokesman for the firm. Most of that was held by Mr. Meriwether and his dozen or so partners.

He and his colleagues have seen most of their wealth evaporate in a few weeks.
With their stake slashed to about 3 percent of the newly capitalized company. the employees have seen their holdings shrivel to, at best, a little more than \$100 million. Even that could dwindle quickly unless the markets turn in their favor. According to some people familiar with the company, several junior employees had borrowed to finance their holdings.

Not long ago, Mr. Meriwether and his colleagues were among the most fabled managers of hedge funds, those unregulated pools of capital that seek to offer rich investors rates of return undreamed of by small investors. The elite partners of Long-Term Capital include Myron Scholes, 57, and Robert Merton, 54, both Nobel laureates in economics; David Mullins Jr., 52, a former deputy chairman of the Federal Reserve Board, and Eric Rosenfeld and Lawrence Hilibrand, former Salomon bond specialists. Now, regulators will spend months

ANNUAL INVESTOR RETURNS OF LONG-TERM CAPITAL - 50 -100

kets from hedge funds. In early 1994, Mr. Meriwether — who left Salomon after one of his traders submitted false bids at Treasury auctions — turned to raising capital for his new venture. Many of the world's richest and

Source: Long-Term Capital

supposedly smartest investors flocked to his doors, giving him \$1.25 billion, then a record sum for a new hedge fund. The list of investors list of investors — minimum stake, \$10 million — included Banque Julius Baer, the private Swiss bank, a PaineWebber management compensation plan and the Bank of China, China's central bank. Several of Mr. Meriwether's in-

vestors complained vociferously when, at the end of 1997, he and his partners insisted on paying back about \$2.7 billion of their capital, saying the markets had become trickier. They returned all the money that had been invested after Dec. 31, 1994, and all investment profits made before that date. Those investors "are feeling extraordinarily lucky and happy" now, said Antoine Bernheim. president of Dome Capital Management, a New York-based company that compiles data on hedge funds.

How could some of the world's best known bond investors, and some of its most famous economists and mathematicians, get crushed so quickly? The partners are not talking publicly, but sifting through the wreckage, a familiar theme emerges. It is a story as old as the history of financial debacles: a gradual loss of confidence eventually cascading into a full-scale rout. As the summer wore on, financial markets became increasingly concerned about risk, particularly after Russia defaulted on billions of dollars of its obligations.

The financial institutions involved with Long-Term Capital - whether lending it money, investing in it or clearing its trades - started getting nervous. They gradually came to believe that the ambitious financiers at the fund might not have enough money to support their complex network of obligations in the world's markets, mainly in three areas: mortgage bonds, European government bonds and bonds issued by Russia and

other developing countries. The fund also had bet that interest rates would rise in the U.S. Treasury market. Events were playing havoc with Long-Term Capital's strategies, caus-

ing the world's increasingly nervous investors to rush to high-quality securities such as U.S. Treasury bonds and German government bonds. Long-Term Capital, according to Wall

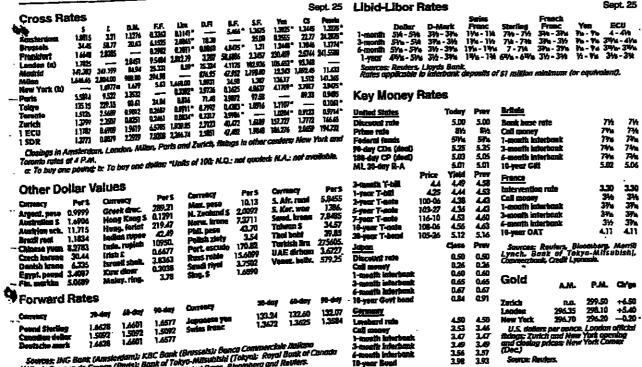
Streeters familiar with aspects of its business, had made heavy bets that interest rates throughout Europe would move closer together as many of its nations moved toward monetary union. With investors suddenly more eager to buy Deutsche mark bonds, the "spread" between German and, say, Italian government bonds widened rapidly — precisely the event that the firm had bet against.

"There was a perception that there was not enough of an equity cushion underneath the positions," said a person familiar with the fund's business. "Very often in these markets, perception becomes reality." But some investors may not have lost

money even after this meltdown, Mr. Rosenthal said. Assuming an investor put in money only at the fund's inception in 1994 and took all the profits paid out through the end of last year, that investor would still have made a return of about 17 percent, he said, citing calculations by executives at the fund's offices.

CURRENCY & INTEREST RATES

debating how to protect financial mar-



rejam); KBC Bank (Brussels); Banca Convenciale Najiana Paris); Bank of Tokyo Allissibishi (Tokyo); Royal Bank of U Paris); Bank of Tokyo Allissibishi (Tokyo);

WALL STREET WATCH

Internet Auction House Wakes Up IPO Market

By Sanl Hansell New York Times Service

NEW YORK - Now we know what it takes to shake Wall Street's initialpublic-offering blues: Beanie Babies,

and lots of them. In the first IPO in nearly a month, shares of Ebay, an Internet auction house, jumped from the offering price of \$18 to close at \$47.375 Thursday, on their first day of trading. That price gave the company a market capitalization of

\$1.9 billion. In late trading Friday, the shares had slipped slightly to \$45.3125. In an electronic version of classified

advertising, Ebay allows to people auction off whatever is in their attics or their vanits. The 714,792 items for sale on the site Thursday included no fewer than 35,608 Beanie Babies, with some of those eagerly sought-after toys carrying asking prices as high as \$400. The inventory also included 2,979 autographed baseballs, 849 marbles and 501 paperweights.

Ebay charges sellers 25 cents to \$2.50 petition from search services such as to list their items, and it collects a commission of between 1.25 percent and 5 newspapers, the traditional players in percent on completed sales.

"Their business model is great," said Mary Meeker, an Internet stock analyst at Morgan Stanley Dean Witter. She said she liked the company because it was attracting a large and growing audience and sales volume and its costs were low.

Ebay even turns a small profit, a rarity among Internet companies. Ms. Meeker suggested that the company's market potential was huge, as

people spend \$17 billion a year to buy traditional classified advertising, \$80 billion on auctions and \$103 billion on collectibles. But some analysts bullish on the Internet are shying away from Ebay.

Mark Basham, investment officer of

the small-capitalization-stock service at Standard & Poor's Corp., said he did not believe that Ebay could lift its revenue enough to justify its current valuation.

He said Ebay already had potent com-

classified advertising.
"It's a great idea," Mr. Basham said. "It's just that everyone can have the ■ Prodigy Announces Share Sale

Yahoo! and Excite as well as from

Prodigy Communications Corp., a pioneering on-line service that has shed its extensive content services to focus on providing Internet access, announced it would sell shares in a public offering,

Reuters reported. Prodigy said the size of its offering had not been set and that it did not expect to come to market before November. Lead managers of the offering will be Bear, Stearns & Co. and BancBoston

Prodigy, once the leading consumer on-line service in the United States, with more than 2 million members, was eventually eclipsed by America Online Inc. and the advent of the Internet.

Robertson Stephens Inc.

Very briefly:

 Lockheed Martin Corp. won a \$3.44 billion 10-year contract to run NASA's space operations, beating rival Boe-ing Co. Lockheed Martin will manage all of NASA's data collection, measurement and communications operations supporting its Earth-orbiting satellites, planetary exploration and human space flight

•U.S. consumer spending jumped 0.6 percent in August to a seasonally adjusted annual rate of \$5.84 trillion after a rare 0.1 percent drop in July, the first in two years. • Boeing Co. said Deutsche Lufthansa AG has ordered six

Boeing MD-11 trijet freighters. NationsBank Corp. shareholders voted nearly 3 to 1 to approve a merger with BankAmerica Corp.

• General Electric Co. agreed in principle to spend \$200 million to settle claims it polluted the Housatonic River in Massachusetts and Connecticut with toxic chemicals, the Justice Department announced.

· Microsoft Corp.'s chairman, Bill Gates, got a salary increase of 5.4 percent, to \$368,874, and a bonus of \$173,423 in the 1998 financial year. He also owns 515.8 million shares of the company, valued at \$56.8 billion. AP, Bloomberg, Reuters

| The Trib Index | | Prices as of 4:00 P.M. New York time | | |
|---|---------------|--------------------------------------|-----------------|-------------------------|
| Jan. 1, 1992 = 100 | Level | Change | %.change | year to date %change |
| World Index | 169.76 | — 1.93 | — 1.12 | — 1.37 |
| Regional Indexes | | | | |
| Asia/Pacific | 69.60 | — 1.96 | — 2.74 | — 27.5 5 |
| Europe | 200.55 | 3.61 | — 1.77 | + 3.89 |
| N. America | 237.45 | + 0.09 | + 0.04 | ÷ 9.94 |
| S. America | 78.12 | — 0.46 | — 0.59 | 48.83 |
| Industrial Indexes | | | | |
| Capital goods | 239.36 | + 3.64 | + 1.54 | + 15.87 |
| Consumer goods | 210.35 | - 3.31 | — 1 <i>.5</i> 5 | + 0.30 |
| Energy | 195.05 | + 0.70 | + 0.36 | + 0.05 |
| Finance | 107.26 | - 3.63 | — 3 <i>2</i> 7 | 12.77 |
| Miscelleneous | 144.76 | -3.27 | 2.21 ° | — 3.42 |
| Raw Materials | 160.63 | — 1.14 | 0 <i>.7</i> 0 | 3.95 |
| Service | 182.47 | - 2.54 | —1.37 | + 4.68 |
| Utilities | 152.85 | — 1.13 | <i>— 0.6</i> 9 | - 2.41 |
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Friday's 4 P.M. Close 7. 地名日本人 有用化物地名美国格特特特地名美国格特 医阿拉伯氏病 医多种性性神经病 "我们是这种,我们是这种的人,我们是这种的人,我们也是这种人,我们也是

Hope for U.S. Rate Cut Buoys Wall Street

NEW YORK - U.S. stocks rose Friday as optimism that the Federal Reserve will cut interest rates next week offset some of the concern that banks would report more losses on investments with hedge funds.

Investors "don't want to carry the same level of cash" as they had before last week, when Fed Chairman Alan Greenspan suggested a rate cut was in store, said Eric Barden, a portfolio manager at First the economic slump in Asia. "They Capital Management Inc. "Some are still seeing strong growth," said aggressive posture."
The Dow Jones industrial average

The Standard & Poor's 500 Index gained 2.03 to 1,044.75. The Nasdag composite index rose 23.25 to

Lower interest rates are good for borrowers and lenders alike. Borrowers benefit from a drop in interest payments on loans, while the profits of lenders gain as companies use loans to finance expansion. Oil and natural gas producers

Twin Towers In N.Y. for Rent

NEW YORK - The World Trade Center will soon be up for rent.

The Port Authority of New York and New Jersey approved a proposal late Thursday to offer the 110-story twin towers for lease by a private

The authority will offer a 99-year lease for an estimated \$1.5 billion to run the complex and pay taxes on it. The decision is part of an effort to bring private interests into key Port Authority operations, officials said. The mayor of New York,

Rudolph Giuliani, a sharp critic of the Port Authority, said the city might earn as much as \$100 million a year in taxes from a private owner, four times the \$25 million the authority now pays as a fee to the

when completed in 1970, the center's 1,350-foot (412meter) twin towers were the world's tallest. Though eclipsed by skyscrapers elsewhere, they remain New York City's tallest buildings.

NYSE

AMEX

Dividends

U. S. STOCK MARKET DIARY

Q 06 930 Q 05 10-1 Q 21 10-9 Q 08 10-5 Q 0625 10-5

Most Actives

the Gulf of Mexico. Chevron and vestors. The Fed on Wednesday or-Mobil posted gains.

Dell Computer rose 234 to 66 1/16 on optimism that sales growth at the

U.S. STOCKS

biggest direct seller of personal computers would not be slowed by buying is necessary to get into an analyst Dan Niles of BancBoston Robertson Stephens

Some financial shares declined was up 26.78 points at 8,028.77 in after Credit Suisse Group, UBS AG late trading, rebounding from a 112- and Dresdner Bank said they would early tests suggested its experiment-

gained, helping buoy the market, as Hurricane Georges threatened to disrupt shipping and production in disrupt shipping and disrupt shipping shipping and disrupt shipping shipping shipping and disrupt ship ganized an unusual rescue by 14

banks and Wall Street firms. Chase Manhattan fell 1 1/16 to 45 over existing protease inhibitors /16 and First Chicago NBD made by rivals such as Merck. 5/16 and First Chicago NBD dropped 1 15/16 to 71¼, among the banks posting losses.

The uncertainties gave support to the bond market, where the benchmark 30-year Treasury bond rose 20/32 to 105 23/32, pushing the yield down to 5.12 percent from

after rival Bristol-Myers Squibb said economic slowdown in Asia.

day. If this proves to be the case in more advanced testing, Bristol-Myers's drug would have an advantage

Triarc, the owner of Snapple beverages and Arby's fast-food restaurants, fell 1 3/16 to 14% after reporting third-quarter carnings

sharply lower than a year earlier. Olin tumbled 21/2 to 261/4 after the chemicals maker warned that quarterly and annual earnings would 5.16 percent Thursday. quarterly and annual earnings would Merck fell 5 7/16 to 131 11/16 fall short of estimates because of the

(Bloomberg, AP)

Stock Decline Hits University Endowments

BOSTON — Emory University in Atlanta has 60 percent of its \$5 billion endowment fund in Coca-Cola Co. stock, as a result of gifts from the corporation, its Atlanta neighbor. So the recent drop in the stock market — and in shares of Coca-Cola - has not exactly been good news for the university. Emory, like many other U.S. col-

leges and universities, has seen the endowments can lose money, too. value of its endowment drop by 10 percent as a result of the decline in the stock market. Coca-Cola has fallen along the way, closing Friday at \$56.25, sig-

nificantly below its 52-week high of \$88,9375 The Dow Jones industrial average as of late Friday had fallen about ficer. 1,250 points since its record close July 17 of 9,337.97.

Along with it fell the richest university endowment in the United Kansas University, which had pound annual returns of 20 percent.

States -- Harvard's -- which has \$816.7 million in assets as of June lost about 10 percent of its \$13 bil- 30. lion endowment since July 1.

Until the recent stock-market gyrations, the 1990s were a golden era for university endowment funds, which grew to more than \$150 billion by the end of 1997.

But now, universities accustomed to double-digit investment returns every year face the harsh reality that Endowments — the stocks, cash and real estate that colleges and universities receive as gifts — generate funds for operating expenses and

financial aid "I'll bet you'll find a lot of people down 10 percent," said Wayne Coon, Emory's chief investment of-

Emory, however, has no intention Mr. Coon said, and neither does cases followed three years of com-

"We tend to be not too awful concerned about short-term changes in the market," said John Scarffe, spokesman for the Kansas University Endowment Association.

Most universities and colleges, in fact, are not terribly worried about a 10 percent drop, said Todd Petzel, chief investment officer of Common Fund, a not-for-profit investment company for schools, colleges and

"The nice thing is, the trustees understand these are perpetual investments and they shouldn't be womied about short-term volatility," Mr. Petzel said.

He said most endowment funds invest between 60 and 75 percent of their assets in stocks and pointed out of changing its investment strategy, that the 10 percent drop in many

- Mesia Debt k Cirrus Logic Plans Cuts In Workers

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SAN FRANCISCO - Cirrus Logic Inc., a struggling U.S.-based maker of computer chips, said Friday that it planned to dismiss about a quarter of its work force and take a \$500 million charge to cover the costs of the move.

The cuts are part of a plan to stop making chips for graphics, personal-computer moand Internet-access

equipment. Cirrus said it would focus instead on its more profitable for computer-disk drives, audio equipment and industrial devices. Circus's shares fell \$1.4375

to close at \$6.0625. The cuts amount to 400 to 500 of some 1,800 employees. Most of the cuts will take place in Fremont, California, where Circus is based. The company said it would disclose the timing of the charge when it reported second-quarter earn-

ings Oct. 21.
The restructuring was con ceived in part by David French, 41, who became president and chief operating officer in July to try to revive

Cirrus. Cirrus, which reported losses for two of the past three years, sacrificed its lead in the once-lucrative market for graphics chips after failing to introduce more advanced products. It suffered further as prices for graphics chips

Yen Falls as Japanese Recovery Measures Stall When you boil things down, the losses against the mark were com- cut interest rates when its policy-

NEW YORK — The dollar rose gainst the yen, reversing the preious day's drop, as Japanese politcal leaders stalled passage of a rose political leaders political leaders politically and rose political leaders politic against the yen, reversing the previous day's drop, as Japanese political leaders stalled passage of a banking reform plan seen as critical to lifting the nation from its worst economic slump in 50 years.

Japanese opposition leaders rejected the governing Liberal Democratic Party's compromise on measures designed to fix the banking system, burdened with as much as \$1 trillion in problem loans. In 4 P.M. trading, the dollar rose to 136.17 year from 1.6740 Thursday: from 134.93 yen Thursday.

Jay Bryson, international economist at First Union Corp. "The Japanese economy isn't going anywhere. There's no real reason to own yen."

The dollar was higher against the to lift the dollar so that the euro would Also helping the dollar recoup

Sept. 25, 1998

against the euro, Europe's planned

rency was trading at 1.6790 DM, up

Deutsche mark, supported by a recovery in U.S. stocks. The U.S. cursaid.

The dollar's 6.7 percent decline

this year against the mark could

prompt European central banks to try

Early in the day, the dollar fell against the mark amid expectations

the Federal Reserve Board would .\$1,6977 from \$1.6975.

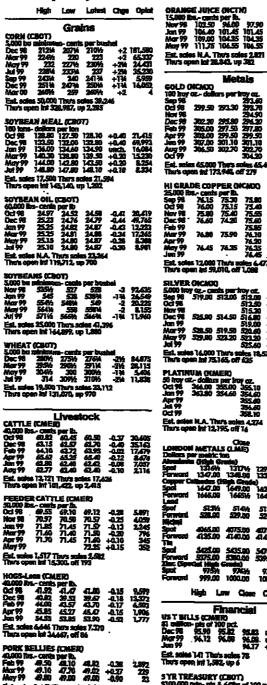
making panel met Tuesday. "Things are bad in emerging

markets, and they're now starting tak-look shaky in the U.S.," said Chuck Spence, a currency salesman at ING Barings. "The Fed may lower rates to make sure the shock around the globe is not as devastating or damaging to the U.S.' Against other currencies, the dol-

lar rose to 5.6300 French francs from 5.6140 francs Thursday and to 1.3870 Swiss francs from 1.3858 francs. The pound edged up to

INTERNATIONAL FUTURES

single currency



Thu's open left 37,574, up 1.4

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Nov 98 94.69 94.55 9

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Nov 99 95.20 9 CANADIAN DOLLAR (CMER)
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EUROPE Russia Debt Holders Act to Seize Assets

By Joseph Kahn New York Times Service

NEW YORK -- As foreign holders of Russian debt struggle to recover some of their billions in losses, they have begun blocking Russian bank accounts and other assets overseas, resorting to the courts to unravel a tangled skein of defaults.

On Thursday, Lehman Brothers Holdings won a court order in Lon- creditors and the Russian governdon freezing the British bank ac- ment. counts of two big Russian banks, Inkombank and Unexim Bank.

banks defaulted on \$110 million of obligations to Lehman and to Leh-

Dozens of other foreign creditors are scrambling to recover whatever they can from their Russian holdings. A consortium of 17 banks led by Deutsche Bank are pressing the Russian government to offer better terms to holders of defaulted bonds.

A group of U.S. hedge funds, some of the main investors in Russian debt, are fighting for a seat at the bargaining table, arguing that foreign banks do not necessarily represent their interest in talks with the Russians.

The Russian government in August defaulted on \$40 billion of domestic bonds and allowed the ruble

to devalue sharply. The default hit high-risk investors who held once-lucrative Russian bonds. Moscow has also prohibited

Russian banks from paying foreign claims for 90 days, making it im
whether they can make a claim."

Inkombank, Russia's secondset to swap defaulted bonds for new possible for international banks and investors to collect on currency hedges. Most of Lehman's claims involved such currency forward

CODIFICIS. The legal action is expected to prompt a rush to freeze or lay claim to financial assets held by Russian loan, bond and currency-contract debtors abroad. It is also a signal that some big U.S. banks have little faith in the talks between international

"I think you will see people trying to get in court what they can't get Lehman contends that the two in the market," said a U.S. lawyer who specializes in Russia, who spoke on the condition of anonym-"We have clients who are trying to find what the Russians own and

largest bank, criticized Lehman's

lawsuit.
"Lehman Brothers is trying to use force to get ahead of other creditors and to be the first seizing everything it can," Bloomberg News quoted a bank official as saying.

A Lehman spokesman declined to comment in detail on the court action. But he said the firm was taking action on behalf of clients for whom Lehman acted as an agent arranging contracts to swap dollars for rubles

at a certain exchange rate. The legal battle comes as creditors are also pressing Russia to improve the terms it is offering holders of domestic bonds. Foreign banks negotiating with the government won a weeklong extension, until

securities. The new securities would be valued at only 10 percent of the old ones before the default, and the banks are pressing for more time to bargain for a better deal.

U.S. hedge fund investors are also lobbying to have their voices heard. A new group representing 60 hedge funds and asset managers has formed to press the Russian government to make good on contracts or risk long-term exclusion from international capital markets.

We are the ultimate holders of this debt," said Steven Halliwell of River Capital Management, which organized the hedge fund lobby. "So we need to take action, in-

cluding possible legal action, to protect our interests.

billion francs (\$3.75 billion).

EMU Europe.

This is a sound strategic move

for Kingfisher." said Jon Scoffin of

Barclays Capital Group in London.

leave the group well placed in post-

No. I appliance retailer, Darty. This

week, it acquired another 35.7 per-

cent of BUT SA. France's second-

The move is well timed and will

Kingfisher already owns France's

Kingfisher to Merge B&Q With Castorama

LONDON - Kingfisher PLC said it would combine its B&Q home-improvement business with months. Castorama of France, creating the biggest do-it-yourself retailer in Europe.

Kingfisher shares rose 2.7 percent to 525 pence after the British company said it would exchange its B&Q unit for a 54.6 percent stake, valued at \$4 billion, in the enlarged company, Castorama-Dubois Investissements. Castorama, whose shares were snspended, will issue 22

million new shares in payment to billion). Castorama, the French markingfisher, which will have the option to buy all of Castorama after 30 percent and had 1997 sales of 21.1

The merger, which would create the third-largest home-improvement retailer in the world, would give the two companies greater purchasing power and comes as Kingfisher is stepping up its expansion in Continental Europe.

B&Q, the leading home-improvement retailer in Britain, has a market share of 17.5 percent and had sales last year of £1.8 billion (\$1.06

largest furniture retailer, taking its stake to 61.7 percent. As recently as March, Castorama insisted that it was not for sale.

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Explaining the change in outlook, Jean-Luc Dubois, managing director for finance and a member of the family that founded Castorama. controlled Sherbank in an attempt to said, "We've found a fantastic opportunity to double our size."

At current market prices, the stock package would be worth 23.3 billion francs to Kingfisher.

Castorama will hold 45.4 percent of the enlarged company. The company will retain its Paris listing and have a market capitalization of 43 billion francs. Jean-Hugues Loyez of Castorama

will remain as chief executive of the management board, running the day-to-day business, and report to Sir Geoffrey Mulcahy, chief executive of Kingfisher.

EU Officials Are Upbeat On Growth

Compiled by Our Suff From Despatche VIENNA — European Union fi-nance chiefs played down on Friday fears that the spreading international economic turmoil will derail growth within the EU as it prepares to launch its single currency.

"It wouldn't be right to be overly pessimistic in light of the global environment and to assume that we will see a global recession," the president of the German central bank, Hans Tietmeyer, said before a meeting of senior EU finance officials. On Saturday, Europe's central bank governors were to join finance ministers from the 15 EU nations in

Vienna for talks that were expected to focus on the Union's response to the Russian crisis. "The EU can do everything in its power to stop Russia feeling iso-lated," said the German economics

we cannot do is give fresh cash." Michel Camdessus, the managing director of the International Monetary Fund. was scheduled to attend the talks. The finance ministers opened the two-day meeting Friday,

minister, Guenther Rexrodt. "What

focusing on final preparations for the Jan. 1 introduction of the euro. The president of the EU commission, Jacques Santer, said the talks would concentrate on how the 11-country euro zone would be represented in organizations such as the IMF and Group of Seven wealthy

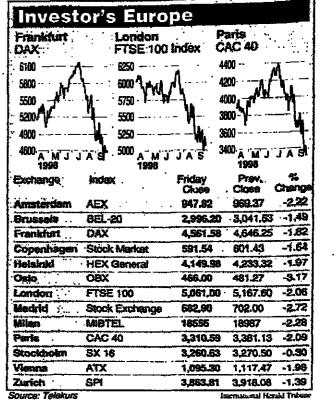
The French finance minister. Dominique Strauss-Kahn, was expected to propose that the three euro-zone countries in the G-7 -France, Germany and Italy - take turns representing the whole bloc.

industrialized countries.

Also Friday, the EU monetary affairs commissioner, Yves-Thibault de Silguy, warned countries in Eastem Europe that are waiting to join the Union that they should not peg their currencies to the Euro.

Hungary, Poland, the Czech Republic, Slovenia and Estonia are negotiating for membership early in the next century. He said they must begin coordinating their monetary policies with the European Central Bank as soon as they join the EU, though they can maintain independent monetary policies until they adopt the single currency

(AP, Bloomberg)



Very briefly:

• Italy's unemployment rate fell to a 12-month low of 11.9 percent in July from 12.5 percent in April, trimmed by seasonal hires in retailing and tourism, though the rate remained the highest of the Group of Seven industrialized nations.

• Filofax Group PLC, a British maker of organizers, accepted an increased £50.3 million (\$85.4 million) takeover offer from Day Runner Inc. of the United States.

 Commerzbank AG increased its stake in Banca Commerciale Italiana SpA, Italy's fifth-biggest bank, to about 5 percent from about 3 percent.

Scandinavian Airlines System said it was in talks with Singapore Airlines Ltd. to create a code-sharing agreement, a move that may pave the way for the Asian carrier to join the Star Alliance, the world's biggest airline grouping.

• Groupe Air France's sales fell 4.7 percent, to 13.84 billion francs (\$2.47 billion), in the three months ended in June, which included a damaging 10-day strike in June before the World Cup football championship, held in France. Ladbroke Group PLC, a British leisure and hotel company.

said it had received a number of bids from venture-capital firms for its chain of 891 Coral betting shops. The government has ordered Ladbroke to sell the shops within six months.

• Investor AB, the main financial vehicle of the Wallenberg family, exercised its option to buy shares in ABB Asea Brown Boveri Ltd., lifting its capital stake to 9.9 percent.

• Remy Cointreau SA said LVMH Moet Hennessy Louis Vuitton SA's Moet & Chandon champagne unit agreed to buy the de Venoge champagne brand from Remy. Financial details of the transaction were not disclosed.

• Inmarsat, the intergovernmental satellite communications cooperative, will become a private company next year and intends to sell stock to the public. Bloomberg, AFP, Reuters

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RUSSIA: A Finance Dispute Shakes Primakov's Cabinet

Continued from Page 13

bloc, Vladirait Ryzhkov, backed out of a high-level appointment under Mr. Primakov.

Mr. Shokhin's departure could shift the center of gravity in the cabinet toward another deputy Communist who has championed a return to industrial subsidies.

14. The divided cabinet has seemed to lack a single plan for dealing with Russia's surging inflation and paralyzed banking system.

Mr. Primakov has allowed mul-

tiple plans to flourish, leading to

Friday, Sept. 25

ABN-AMRO

WORLD STOCK MARKETS

Friday, Sept. 25

Daily prices in local currencies.
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plans. Mr. Shokhin's walkout came after talks with an IMF delegation on the next installment in a \$22.6 billion aid package that the fund offered in mid-July.

One \$4.8 billion installment was paid, and Mr. Shokhin said Thursday that Russia needed the next \$4.3 prime minister, Yuri Maslyukov, a billion tranche to help it stave off default on its overseas debts.

The IMF delegation concluded talks here without agreeing to free the next installment. It will return Oct. 12 for further

negotiations, the Interfax news ser-

Jakarta

The Bank of Russia has extended confusion about the government's by two weeks a deadline for de-

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vice reported.

positors to transfer their accounts from commercial banks to the stateprotect citizens' Bloomberg News reported. Depositors will have until Oct. 10

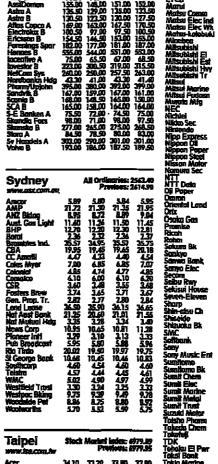
to move their deposits to Sberbank, the savings bank. Sherbank will pay out deposits Nov. 30 instead of the originally scheduled Nov. 15. The central bank took the step

"because of multiple appeals from depositors," it said in a statement. The decision concerns depositors Russia's six biggest banks, Inkombank, Most Bank, Mosbusinessbank, Bank Menatep, Prom-

stroibank and SBS-AGRO.

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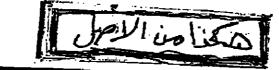
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restructuring, said William McCle-

ary, who is a professor at Tham-

The educated urban middle class

faced the greatest cuts in pay, coupled with a quickly rising un-

employment rate, the study found.

This slice of Thai society also saw

a reduction in real income of more

than 2,500 baht (\$61) a month, ac-

cording to the study.

Construction workers faced the

sharpest rise in employment in any

sector, but banking, manufacturing

The study was conducted by

Nanak Kakwani, a professor at the University of New South Wales in

Australia. It is based on data

gathered from a nationwide survey

and communication also have been

Thais Cope by Cutting Pay First, Not Jobs

By Thomas Crampton ational Herald Trib

BANGKOK - Companies in Thailand are slashing salaries faster than they are firing workers, accord- a senior economist at the Asian Deing to one of the first comprehensive analyses of employment changes in a crisis-hit Asian economy.

The study, released Friday by the Asian Development Bank, said that per-capita income in Thailand had allen more than 20 percent, but that most of the drop was due to a decline in average wages, with a much smal-ler proportion attributed to the fall in the number of wage carners as un-

employment rose.
It also found that the crisis had led to an increase in child labor. "This will have, in the long run, a serious impact on Thailand's well-being," the study said.

Economists and officials of the titled to the equivalent of six Asian Development Bank said these and other findings would have an they have been working at a comimpact on economic policy in Thailand while influencing the design of assistance packages throughout the region.

especially the prices of essential commodities," said Sudipto Mundle, a senior economist at the Asian Decentrate on keeping down inflation, Development Research Institute. been brought toward the level of impoverishment than headline unemployment statistics imply."

He added, "The changes found in Thailand's labor market and incomes due to the crisis will be repeated in similarly structured Asian economies. Because Asian workers generally

have no Western-style social security system, many prefer to accept pay cuts as opposed to unemployment.

The strict enforcement of laws governing severance pay in Thailand also encourages companies not to fire workers. Employees are en-

pany for three years.
"Salary cuts are more acceptable to everyone, so offices get together and figure out how to lower the over-

months' salary as severance pay if

The fall of incomes described in all wage bill," said Ammar Siam- as this highlight the need for narthis report shows how we must con- walla, a senior adviser at the Thailand rowly targeted aid and economic

Ammar said. More than half the population in Thailand works in agriculture, and the study found that despite migrations of unemployed city workers back to their home villages, farm incomes overall have not been affected by the crisis.

An increase in agricultural exports - stimulated by the devaluation of the Thai currency — has lifted farm incomes in fertile regions, the study suggested, while areas unable to irrigate during a dry-season harvest have seen incomes plummet.

The impoverished northeast region of Thailand has suffered from the crisis more severely than any other region, according to the study. Unemployment in the northeast has surged 8.53 percent, while incomes have declined by 2.5 percent. Sharp regional differences such

Manila Luring Airline Investors

of 190,000 individuals.

Agence France-Presse MANILA — President Joseph Estrada will announce on Saturday the entry of new investors into the domestic airline industry to take over routes served by the defunct Philippine Airlines, his spokesman

said Friday. Earlier Friday, Mr. Estrada said that at least two foreign investors had expressed interest in airline operations in the country's domestic market, but he did not identify them, and there were no details.

The shutdown of flag carrier, Philippine Airlines, is projected to cost \$722 million in lost tourism receipts in the four months to December, a government agency said Friday.

The figure is the sound jected arrival of 321,027 foreign visitors spending \$117 daily for an average stay of eight nights in the country. The airline disappeared from

the air at midnight Wednes-

Losses Seen At Sharp **And Nikon**

Agence France-Presse

TOKYO - Sharp Corp. and there is no macroeconomic solution to the crisis," Mr. McCleary said, Nikon Corp. warned Friday that they would incur heavy losses this and thus "changes are required at the most basic level." year because of a slump in the microchip market.

Sharp said profit before tax would slide 44.7 percent from the previous year, to 28 billion yen (\$207.5 million), for the year ending March 31, 1999. It said net profit would be down 59.7 percent, to 10 billion yen.

Sharp's shares fell 50 yen, or 5.8 percent, to close at 813.

Our company is expected to come short of the previous forecast in May due to poor sales of some visual equipment and larger-thanexpected drops in the prices of liquid-crystal display panels and in-tegrated circuits," Sharp said.

The business environment remains severe, with the economic slump exacerbated by depressed consumption and housing demand. coupled with economic turmoil in Asia and the financial crisis in Rus-

But Sharp said its sales would be up 2.8 percent at 1.84 billion yea, driven by strong sales of MiniDisc products, facsimile machines, audio and telecommunications equipment.

For the six months ending next week, Sharp said its profit before tax would fall 79 percent, to 7.7 billion yen. It said net profit was expected to fall 88 percent, to 2.5 billion yen. Nikon forecast a pretax loss of 10 billion yen, a reversal from its earli-er estimate of a 3 billion yen pretax profit. It predicted a net loss of 12 billion yen, in contrast to its earlier

"Our sales forecast is expected to come short of an earlier estimate, and profitability is seen deteriorating as a prolonged microchip market slump resulted in reduced microchip-related

expectation of profit of 1 billion

capital investment," Nikon said. Nikon forecast sales of 340 billion yen, down from 370 billion yen expected previously. Nikon's shares

■ Bandai, in a Shift, Sees Loss

Bandai Co., maker of the Tamagotchi electronic pet and other toys, 4.5 billion yen, reversing an earlier trend of shrinkage in Hong Kong's recession-battered seprediction of a profit of 3 billion yen, curities industry, plans to expand its Hong Kong staff.

Reuters reported.

Recombern. AFP. AP. Reuters

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Very briefly:

• New Zealand joined a large part of Asia with official data showing a recession, but Treasurer Bill Birch said the nation may already be on the road to recovery.

Sensitive Index

 Japan's automakers made fewer cars, trucks and buses in August as falling wages and jobs crimped consumer demand. It was the 11th straight month of declines.

• Dai-Ichi Kangyo Bank Ltd., Japan's third-largest commercial bank, will book 50 billion yen (\$370 million) in profit

from property sales for the half-year ending Wednesday. · South Korea's prosecutors, amid serious worries over the impact of any stoppage on the economy, warned that there could be immediate police raids if bank unions went on strike next week to protest massive job cuts.

• The Bank of Japan's governor said the central bank's rate cut two weeks ago had not been coordinated with central banks in other nations, as some investors have speculated.

 Japan's Defense Agency suspended dealings with NEC Corp., Japan's largest maker of personal computers and microchips, and its affiliate, Toyo Communication Equipment Co., after a military procurement scandal. The ban excludes cases where the agency has no alternate supplier.

 Indonesia's banking authorities reached a deal with former President Suharto's cousin, Sudwikatmono, for repayment of 10 million rupiah (\$175 - :...

• Indonesia has saved \$30 million in a continuing review of 140 contracts in the oil and gas sector conducted to eliminate

corruption, the Kompas newspaper said. said it would have a full-year loss of • Charles Schwab Corp., a U.S. discount broker, bucking the

Bloomberg, AFP, AP, Reuters

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IMF: Official Blasts Russian Blackmail' and U.S. Pressure

Continued from Page 13

"We go on assessing the situation to be ready when the need arises," the official said in a considerable understatement of the frantic series of phone calls exchanged among the world's finance ministries in recent weeks about stopping the world's economic crises from spreading to Latin America.

In recent days, leaders of the Fund - particularly Michel Camdessus, its French-born managing director - have been mounting a public-relations counteroffensive against

Representatives speaker, Newt Gin-valuation.

resolve a bilateral trade surplus that

Washington has warned could spark

political friction, a senior Chinese

trade official said Friday.

China Offers to Cooperate on Surplus

SHANGHAI — China is willing icit," said Long Yongtu, China's to work with the United States to chief negotiator at World Trade Or-

de official said Friday. issue," said Mr. Long, deputy min-"We understand the concern of ister of foreign trade.

ganization talks.

grich, have referred to Mr. Camdessus as a "French socialist" who reversed course and was sharply has squandered the Fund's resources, and the House recently rejected an \$18 billion payment of the

U.S. commitment to the institution.
The IMF has been on the defensive about its \$4.8 billion aid payment to Russia in late July. No one is likely to be able to fully account for the money, which was intended to stabilize the ruble but was lost in currency transactions after the Russian government allowed the ruble to be devalued.

By most accounts, however, the money provided some time for the Both the U.S. Senate majority country's oligarchs to get their cash leader, Trent Lott, and the House of out of the country before the de-

the U.S. side toward the trade def-

"We are willing to work hard

with the United States to resolve this

critical of Russia, making clear that the IMF would not go forward with the \$17 billion bailout plan it cobbled together in July unless Russia met the conditions of the loan. The new Russian government ap-

On Thursday, the IMF official

announcing plans to print money to dictate to its lenders when and how much they will get paid back. 'For the government to be credible with the international community, they must behave in a civilized

way with their creditors," the senior

pears to be going the other way -

official said. "Any kind of imposed solution for debt restructuring would be a

The official also derided Russia's statements in recent days that it would resort to "controlled" inflation. "Controlled inflation re-the official said.

He said the IMF "does not accept" efforts to "blackmail" it into providing more funds by threatening further defaults on international loans, an event that could trigger more global market turmoil.

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*At Play in the Uneven Fields of the Market: Are Europe's Soccer Clubs a Winning Investment?

By Barbara Wall

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E-mail address: moneyrep@int.com

TOR MANY SPORTS enthusiasts, the Olympic Games are the ultimate international sporting event. But it is soccer's World Cup that commands the largest television-viewing audiences. According to analysts' reports, the World Cup held in France this summer attracted a television andience of 38 billion, compared with a mere 3.5 billion for the 1996 Olympic Games in Barcelona.

Given the enormous popularity of soccer, it is not surprising that there has been strong interest in the sport's investment opportunities. The principle attraction, analysts say, is the untapped potential for global advertising and

A few years ago, there were few publicly quoted soccer teams; there are now 24. Britain, with 21, has led the way. The largest of these is Manchester United PLC, with a market capitalization of more than £580 million (\$974 million). The Continent's three listed teams are Societa Sportiva Lazio SpA of Italy,

valued at 231 billion lire (\$138 million); the Dutch club Ajax Amsterdam, worth 436 million guilders (\$229 million); and Brondbyrenes IF Fodbold A/S of Denmark, for which listed shares are valued at 382 million kroner (\$59 million).

Tony Fraher, chief executive of Singer & Friedlander Investment Funds International, said that in some parts of Europe soccer chibs had been prevented from seeking a listing because of local stock exchange regulations. But he said regulations were being changed to encourage IN SPORTS more clubs to list.

"Having seen the financial benefits that a stock market flotation has brought to English Mr. Fraher said. "Speculation about a European Super League has undoubtedly fueled this movement. To stay competitive and to improve their chances of getting into the league, clubs will want to raise extra cash to finance new players and retain their existing

good investment? Until a few weeks ago, they looked unappealing on the basis of share-price performance. Speculation about an Italian media group's proposed European Super League. which would comprise Europe's top clubs, and the £623 million British Sky Broadcasting Ltd. bid for the leading English chib Manchester United, has boosted investor confidence, although there are signs that this may be wan-

"A European Super League will be incrative for a handful of the top soccer clubs in Europe," one source said, "but investors in those clubs will not necessarily reap any benefits from the

Paul Wedge, an analyst with Collins Stewart & Co., a brokerage firm in London, said: "Soccer clubs can generate fantastic operating profits from gate receipts and sponsorship deals, but they spend the money just as quickly as it comes in."

"About 18 months ago, investors piled money into the sector on the back of high

ceipts were improving and the income from sponsorship deals was increasing because of a deal that gave one satellite broadcasting company the rights to broadcast Premiership games. In the ensuing scramble to stay in the Premier League, chibs spent all their extra revenue, and more besides, on players' salaries.'

"Investors became disenchanted and share prices went into free fall," Mr. Wedge continued. "A European Super League will simply up the stakes, and even more money will be spent on wages and new players."

Although the sector has rebounded by a remarkable 30 percent in recent weeks due to growing media company interest. Virgine Lannevere, an analyst at Salomon Smith Barney Inc., said that she would be cautious about investing in soccer stocks.

"There are those who will argue that all of the English Premier League clubs, most of the too-class clubs in Europe and even some clubs in the English First Division are worthwhile investments because they stand a good chance of being snapped up by media magnates," she said. "I disagree, and would hazard a guess that only a handful of the top soccer clubs in Britain and Continental Europe are likely to be bought by television companies.'

There are signs, however, that soccer clubs become more disciplined in managing their finances following a stock market flotation. England's Leeds Sporting PLC turned a £11 million pretax loss into a £1.6 million pretax profit after becoming a publicly listed company.

investors to pick investments with care. "The clubs that are attractive at the moment are those with strong brand identities and a large international supporter base, such as Manchester United, Arsenal and Liverpool," he said, citing three elite English clubs. "On the Con-

But Mr. Brooks said he would advise

they were listed." Many of Europe's top clubs have made inroads into Asia in hopes of widening their supporter base and building on their revenue income from spon-

tinent, the Spanish clubs Barcelona and

Real Madrid would be attractive buys if

Manchester United has a strong following in the region. In Thailand, 30,000

sorship deals and advertising.

Few Cheers

For Investors

dollars for major publicly traded soccer clubs in Britain

| Sunderland PLC | 54.79% |
|--|--|
| Manchester United | 46.57 |
| Celtic PLC | 30.99 |
| Charlton Athletic | 23.63 |
| Newcastle United | 7.59 |
| ottenham Hotspur | 4.74 |
| Birmingham City | 1.29 |
| Aston Villa | -5.53 |
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| West Brom. Albion | -11.47 |
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| Nottingham Forest Chelsea Village Leeds Sporting Preston North End Burnden Leisure Southhampton Sheffield United | -20.24 -24.08 -24.32 -25.00 -26.37 -29.06 -35.94 |

copies of the team magazine are sold every month. And the club is said to be seeking to buy a top Japanese player to increase its exposure in Japan. Another English club, Tottenham Hotspur, is said to be to be studying links with soccer clubs in China.

'Clubs with strong links to Asia will be highly attractive to media companies," said a media analyst with a London securities firm. "Assuming the BSkyB deal goes through and Manchester United gets its Japanese soccer star, the broadcasting company could be looking at a possible 20 million extra subscribers.

For investors prepared to ignore the exuberance borne of the BSkyB bid for Manchester United, there are some interesting asset plays. Mr. Wedge cited Southhampton Leisure Holdings PLC, which is in the English Premier League.

"The team has not won a match this season, but it is a great asset play," he said. As well as owning its own ground, the club has a 40-acre site with outline planning permission, which is worth about £10 million. The club also has £5 million in cash reserves. The market capitalization

of the club is just £17 million. Another Premier League club, Leicester City PLC, could also be considered a good asset play, analysts said. The club owns its stadium, has additional property and £6 million in cash. Yet the market capitalization is just £11.71 million. This valuation is far too low, some analysts say.

A purely speculative play is Sunderland, which is leading the English First Division. The division winner is automatically promoted to the Premier

'There is the potential that if the club is promoted into the Premiership, the share price could rise by as much as 45 percent," Mr. Brooks said. "However. if the club does not get promotion, the share price will inevitably suffer and could drop by as much."

For those who want a team that has prospects on the field and is also a good asset play, the Premier League team Aston Villa PLC may be the ticket.

"Aston Villa is a consistent performer and has a sizeable property portfolio, which will enable the club to isolate key revenue streams from volatility on the pitch," Mr. Brooks said. DELOFTE & TOUCHE, the accountancy firm, publishes an annual survey of soccer finances, covering teams in Europe Telephone: 44 171 655 4000

soccer clubs, more clubs on the Continent will be keen to follow that lead," increased revenue flows that the league is likely to bring." sponsorship revenue.

But are European soccer teams a

With Sports Funds, Results Are Mixed

Sector Is Volatile and Focus Is on Brand Notoriety and Television Rights

By Judith Rehak

HE HYPE AND publicity surrounding the \$1 billion bid by Rupert Murdoch's British Sky Broadcasting Group PLC for Manchester United PLC, one of Britain's leading soccer clubs, makes investing in a sports fund seem like an exciting and potentially lucrative op-

But if the performance of such funds is any indication, you might want to first check the price of a season ticket for your favorite team. You may be better off experiencing the thrills and spills of soccer, football or even auto racing as a spectator rather than as an investor. 'It's been a very volatile sector,"

said Michael Goldman, the Londonbased manager of the Momentum ons investors ruba, fully that his investors had shown a low tolerance for wild swings in British soccer stocks, which skyrocketed nearly 100 percent in late 1996 and early 1997, then plummeted

There was a huge craze, there was a vast amount of attention and then senriment turned away," Mr. Goldman said

He estimated that the Momentum fund, which was up as much as 70 percent at one point, will show roughly a 20 percent return from its May 1996 inception to the end of September thanks to the leap in soccer stock prices following BSkyB's bid for Manchester United. The Nomura Football Club Index soared 32.7 percent in the week after the announcement of the bid on

Momentum's portfolio is almost entirely invested in soccer clubs, including Arsenal Football Club PLC and Liverpool FC. Mr. Goldman has sold off most of the sports-related companies he once owned, especially apparel makers.

"Fashion is just too cyclical," he said.

A second offering, the Singer & Friedlander Football Fund, managed to eke out a 1.93 percent return for 1998 through Sept. 11. Soccer clubs, including AFC Ajax Amsterdam, the top Dutch team, and Societa Sportiva Lazio SpA of Italy, make up 61 percent of the

But Tony Fraher, the manager, is focusing on the remainder, mostly in communications and media companies. Now, with bidding heating up for television rights or even direct ownership of other clubs, he expects to see action in these holdings, as well. They include

BSkyB and Carlton Communications PLC, the television broadcaster for greater London, which has been talking with Arsenal, the London club that last season won both the English Premier League title and the prestigious FA

The prize for media groups is the right to broadcast matches for a club, which is emeial to expanding their audiences, commanding ever-higher adver-tising revenues and possible involvement in the lucrative pay-per-view television market now shaping up in

Europe.

"We've seen this coming, which is why we created the fund," Mr. Praher said. "The hidden title should have been the 'brand values and media rights' fund, but no one would have bought

On the Continent, another sports ofport50Plus Fund, is off to a rocky start. introduced in May just before soccer's World Cup began in France, it has fallen

Thomas Jokel, its manager, has small positions in Ajax and Manchester United, but the fund's sports-related companies, especially Nike Inc., Adidas AG and Reebok International, have been the culprits in its underperformance, their shares hammered by shrinking demand in the Asian markets.

THE DEUTSCHE-mark-denominated fund, which has 50 percent of its holdings in U.S. dollars, was also hit by currency woes, as the mark strengthened against the dollar.

Mr. Jokel has his eye on several German soccer teams that are planning to become publicly listed, but he remains

"The teams need to have better, more professional management, with a brand strategy and emphasis on profitability with television contracts and clothing," he said. As for the fund's performance, he said that it "doesn't depend on the tock markets.

"It's more the industry that isn't in good shape right now," he added. While soccer and events such as the World Cup are largely overlooked in the United States, there are two new U.S.

funds focused on stock-car racing. The StockCar Stocks Index Fund, started two weeks ago at \$15 a share, is a no-load vehicle, albeit with what for an index fund is a steep annual management fee of 1.5 percent. The fund is based on a 52-company index of firms associated with auto racing. The Motorsports Associated Growth & Income Fund, which is sold through financial

advisors, made its debut in January, although it only began investing in June. It was down 7.73 percent as of Sept.

These funds expect to find their most fervent shareholders among the growing crowd of stock-car-racing fans. Both own companies like International Speedway Corp., owner and manager of the famed race track in Daytona Beach. Florida, and Speedway Motorsports Inc., a newer, aggressive group that owns and operates motor speedways in cities like Charlotte, North Carolina, the heart of stock-car racing country.

But what accounts for names like SmithKline Beecham PLC, Du Pont Co. and McDonald's Corp. in these funds? These companies ante up as much as \$10 million a year to sponsor racing teams competing on the National Association of Stock Car Auto Racing

SmithKline, for example, touts its Aquafresh toothpaste and Tagamet, an antacid, while DuPont sponsors Jeff Gordon, a leading driver, who uses its paints on his car and is known as the

'Rainbow Warrior.' Cigarette sponsors, now shunned at many sports events, are welcome in stock-car racing, where RJR Nabisco Holdings Corp. sponsors the sport's most sought-after prize, the Winston

Such companies make these so-called stock-car racing funds more like bluechip offerings with a "motor sports flavor," said Kevin Melich, who manages the Motorsports Growth and Income Fund.

But as far removed as they seem from the European soccer scene, they have one thing in common with their soccer-

focused counterparts.

"The real kicker is television revenues," said Mr. Melich, citing another reason why he is so enthusiastic about speedway companies, which control the rights for televising races. Six million racing fans went to the track last year, but another 40 million watched on tele-

"Racing is right behind football in terms of viewers, and the companies are about to renegotiate their contracts," Mr. Melich said. "There's still a lot of growth in the business.

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A Risky Bond Bet for the Sporting Investor

ERE'S A sporting proposition: The Sports Authority Inc., which operates big sporting-goods stores in North America and Japan, has a constores in North America and Japan, has a convertible bond whose yield of 16.14 percent late last week is so high that the conversion option is essentially free, according to J.P. Morgan Securities Inc.

This is a risky bet. The bonds carry ratings of B1 from Moody's Investors Service and B from Standard & Poor's Corp., meaning that while they are paying their semiannual interest coupons so far, those payments are far from assured in the future. S&P noted last week that there have been "aggressive" price cuts for athletic footwear, such as sneakers, a

big part of the company's business. It appears that business conditions will be extremely

difficult, " the ratings agency said. Venator Group Inc., which was Woolworth's before it got out of the discount-store business to concentrate on its Foot Locker chain and other specialty apparel business, had planned to buy The Sports Authority for stock and assumed debt, but the deal fell apart earlier this month. Venator originally had offered \$18.40 a share, but its stock fell, reducing the value of

its bid to \$6.90 when the arrangement was cance Another suitor, Gart Sports Co., offered \$20 a share in July for 70 percent of The Sporting Authority, but the company rejected its bid as too low. After the Venator deal fell spart, it instituted a poison-pill plan to deter raiders. Business will have to improve for the free equity option to

become attractive. The conversion price for the bonds, which mature Sept. 15, 2001 and carry a 5.25 percent coupon, is \$32.635. The conversion option is valueless, while the stock trades below that price. Still, if the bonds do not default, the yield is more than 11 percentage points above that of a U.S. Treasury note of comparable maturity. As J.P. Morgan noted, investors buying a busted convertible by definition "receive a yield to maturity that compensates them for the credit risk."

If you are not a sports but, J.P. Morgan identified some other busted convertibles as well, several of which it classified as buys, which it did not do for The Sports Authority issue:

 Corporate Express Inc.'s 4.5 percent issue due July 1. 2000. Its yield this week was 10.76 percent, a 630 basis-point premium to comparable Treasuries. Stock in the company, which sells office supplies to corporations, traded late last week at \$10.875, and the conversion price for the bonds. rated B3 by Moody's and B by S&P, is \$33.33.

 Phycor Inc.'s 4.5 percent convertibles due Feb. 15, 2003, which were yielding 18.55 percent, 1,411.7 basis points above Treasuries. The conversion price on the B1/ BB-minus bonds is \$38.67 per share, while stock in the company, which operates medical clinics, was changing hands at \$4.9375 a share.

• Tenet Healthcare Corp.'s 6 percent B1/BB-minus issue the Dec. 1, 2005, yielding 9.16 percent, or 462.9 basis points above Treasuries. The conversion price is about \$29.32 and the hospital chain's stock was trading at \$12.0625.

THE MONEY REPORT

In U.S., Cash In on the Cash-Rich

By Aline Sullivan

ERCHED HIGH AND dry on a pile of cash is the ideal pose for companies in emerging markets, beset as they are by rising interest rates and falling currencies. But in the United States, such a position is often perceived as a weak one.

"I look at a cash-rich company in America and wonder what's wrong with its management," said Peter Canelo. U.S. investment strategist at Morgan Stanley Dean Witter. "What's wrong with its business? Who is going to take it over? What do the people at this cash

cow think they are doing?"
What it should be doing, according to
Mr. Canelo and other analysts, is spending that money on organic expansion,

acquisitions or simply on buy-ing back its own stock. Warren Buffett, arguably the world's most successful investor, appears to be following that course. His Berkshire Hathaway Inc. recently dis-closed that it was holding \$9 billion in cash, its largest-ever

cash position, but Mr. Buffett has been bearish on the markets for a while and does not seem to want to sit on it for

At a special shareholders meeting, he reportedly said that "if the market declines significantly, you can be pretty sure that we won't have \$9 billion in cash when we meet next year," at the company's regular annual meeting in

May.
There may already be plenty of bargains out there. According to Morgan Stanley analysts, only the top 50 U.S.-based multinationals — the so-called Nifty 50 - are overvalued. The remaining 450 companies in the S&P 500 index are undervalued by 10 percent, while mid-sized companies are about 20 percent undervalued and small caps are undervalued by more than 30 percent.

Lower prices make it cheaper for companies willing to pay cash to acquire assets or take over rivals.

"It's a great time to buy companies th cash," Mr. Canelo said. It certainly is not a great time to save, at least in terms of potential returns.

much help to those busy stockpiling cash. For them, the news may still get

Alan Greenspan, the Federal Reserve Board chairman, hinted at a rate cut on Wednesday when he addressed the Senate Budget Committee in Washington. Many investors are betting that the Fed will soon cut interest rates, either independently or as part of a joint rate cut orchestrated by the Group of Seven industrial countries.

The rate has held steady at 5.5 percent since March 1997. The Fed's policysetting Federal Open Market Committee is to scheduled meet on Tuesday.

But saving at least some cash for a rainy day may be a good idea at the moment. By most accounts, the clouds are gathering. Profits from many nonfinancial companies

are sinking as fast as in the 1990-91 recession, analysts said. Low earnings and weak stock prices could soon put a screeching halt to capital spending for all but the staunchest savers.

"In times when there is a question mark on the economy, investors want companies with strong balance sheets and flexibility," said Robert Froehlich, chief investment strategist at Scudder Kemper Funds in Chicago. 'The greatest flexibility comes from a lot of cash. Without cash, companies can't take advantage of the opportunities that

ETER CARDILLO, director of research for the New York brokerage Westfalia Investments, suggested that companies with money to spare should be saving some of it and spending the rest to make acquisitions and buy back their own stock, taking advantage of cheaper share prices.

"Exactly how they spend it depends on the industry and the company," Mr. Cardillo said. "The technology companies are consolidating now, which is right for them, but big blue-chip compa-nies like General Electric are best off investing in themselves by buying their

Stock buy-back programs are better

Low interest rates are good news for regarded by professional investors than companies with debts, but they are not they used to be.

People used to think that companies with nothing better to do with their cash than buy back their own stock would be proven pretty unproductive in the long term," said Arthur Hogan, chief market analyst at Jefferies & Co. "But now buy-backs are seen as proof of management confidence. Apart from GE, Philip Morris and Microsoft, two of the biggest U.S. companies, are currently buying back their shares."

In a Morgan Stanley Dean Witter rating of companies that have zero debt and substantial amounts of cash, Microsoft, which has \$14 billion in cash, ranks at the top. Compaq and Cisco trail a distant second and third on the list.

Some professional investors also look more favorably on companies that cash,"

simply hang on to their cash.
"Companies who feel the cash burning in their pockets often do something stupid," said Jean-Marie Eveillard, the president and portfolio manager of the \$4.4 billion SoGen International Fund. "They make the wrong type of acqui-

Ageo Corp., the farm-equipment manufacturer, bought back about 3.5 million of its shares in June and July when the closing price ranged from \$12.75 to \$2.40. Since then, the shares have fallen to about \$6.50, depressed by dismal earnings so far this year and expectations of worse to come.

Farmers are producing bumper crops but selling little as demand from Asia shrivels, and few are buying new equipment. Aggressive price-cutting by the industry leaders Deere & Co. and Case Corp. has exacerbated Ageo's prob-

The key is knowing when to spend that pile of cash and what to spend it on. The pervading wisdom would seem to be to keep something for a rainy day but also to take advantage of great opportunities, particularly those caused by the monsoon now drenching the Asian

'Companies with cash able to find a strategic fit in Asia will be doing well to spend at least some of it there," Mr. Froehlich said.



Amid Asia's Woes, Plenty of Low-Debt Picks

By Philip Segal

THE PROBLEM with looking for debt-free companies in Asia is that analysts will try to sell you on stocks that are "net or "no net debt." These are companies that have more cash and other liquid assets than they owe but are not necessarily free of debt.

This is a potential problem for investors in markets such as Hong Kong and China, where there is a significant risk of currency depreciation over the sitions, make the wrong capital investnext year. Say a company earning local
ments or buy back their stock when it is
too expensive."

Ageo Corp., the farm-equipment
most of its debt is in U.S. dollars and that the Hong Kong dollar falls by 30 percent. All of a sudden, net cash could turn into net debt as companies require more Hong Kong dollars than before to pay off the same amount of U.S.-dollar debt.

Nevertheless, there are plenty of companies in Asia that are net-cash and also lowdebt, or that have foreign-currency revenue to match their foreign debt.

The strongest balance sheet among Asia's best-known companies probably belongs to Johibee Poods Corp., one of the few fast-food chains in the world that manages to consistently outself McDonald's. McDonald's exists in the Philippines, Jollibee's home turf, but it runs a distant second to this highly successful chain, which has a 71 percent market share.

Jollibee "has always surprised investors on how little debt it has," said Isabel Evans-Freke, analyst at Paribas Asia Equity in Manila. After paying off a \$28 million obligation last year, Joi-

libee is now debt-free. While the Philippines is suffering from the economic crisis affecting the rest of of staying in the home market it knows so well. Instead of major expansions outside the Philippines, the company has decided to become the leader in a range of fastfood lines, from chicken to pizza.

Jollibee has outperformed the Philippines market by 42 percent in the past five years, and is trading at 13.3 times expected earnings. The market obviously likes the fact that fast food carries no default risk on the part of its cus-

tomers and generates cash all the time. Paribas also lists as a "key buy another Philippines company, Aboitiz Equity Ventures, which has total debt worth just 1.9 percent of equity. The stock has performed poorly in the past because investors thought it was not putting its pile of cash to good use. Today, lots of cash is just what an investor should be looking for. The company has sold off a range of businesses over the past year, and is now concentrating on power generation and its Philippines bank, Union Bank.

Johnson Electric Holdings Ltd. is "top of our list" of "50 Asian nuggets," said Robert Sassoon, head of research at SG Securities in Hong Kong. With cash and deposits last year of 1.6 billion Hong Kong dollars (\$207 million) and total debt of just 39 million Hong Kong dollars, the company is practically debt-free.

Best of all for Mr. Sassoon, in a city where so much of the wealth has been derived from selling expensive real estate, Johnson Electric "makes things -- real things." It is the world's second-largest maker of micro motors, which make home appliances, printers, CD-ROMS and the smaller systems in automobiles work. Analysts like the fact that much of

Asia, retailing in the Philippines will be "the last thing to go," said Ms. Evans-Freke, who endorses Jollibee's strategy risk that if the Hong Kong dollar's peg to risk that if the Hong Kong dollar's peg to the U.S. dollar should be broken, Johnson's Japanese inputs will rise in price. But offsetting a stronger U.S. dollar would be the fact that 40 percent of the company's sales are in the United States. In the meantime, low commodity

he Experts

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prices also help Johnson, which uses a or ces also help Johnson, which uses a lot of copper in its machines.

Although a relatively expensive 18.5 times expected earnings, Johnson has traditionally commanded a premium to

other stocks in Hong Kong, partly because it was a part of the benchmark

Hang Seng Index until 1995.

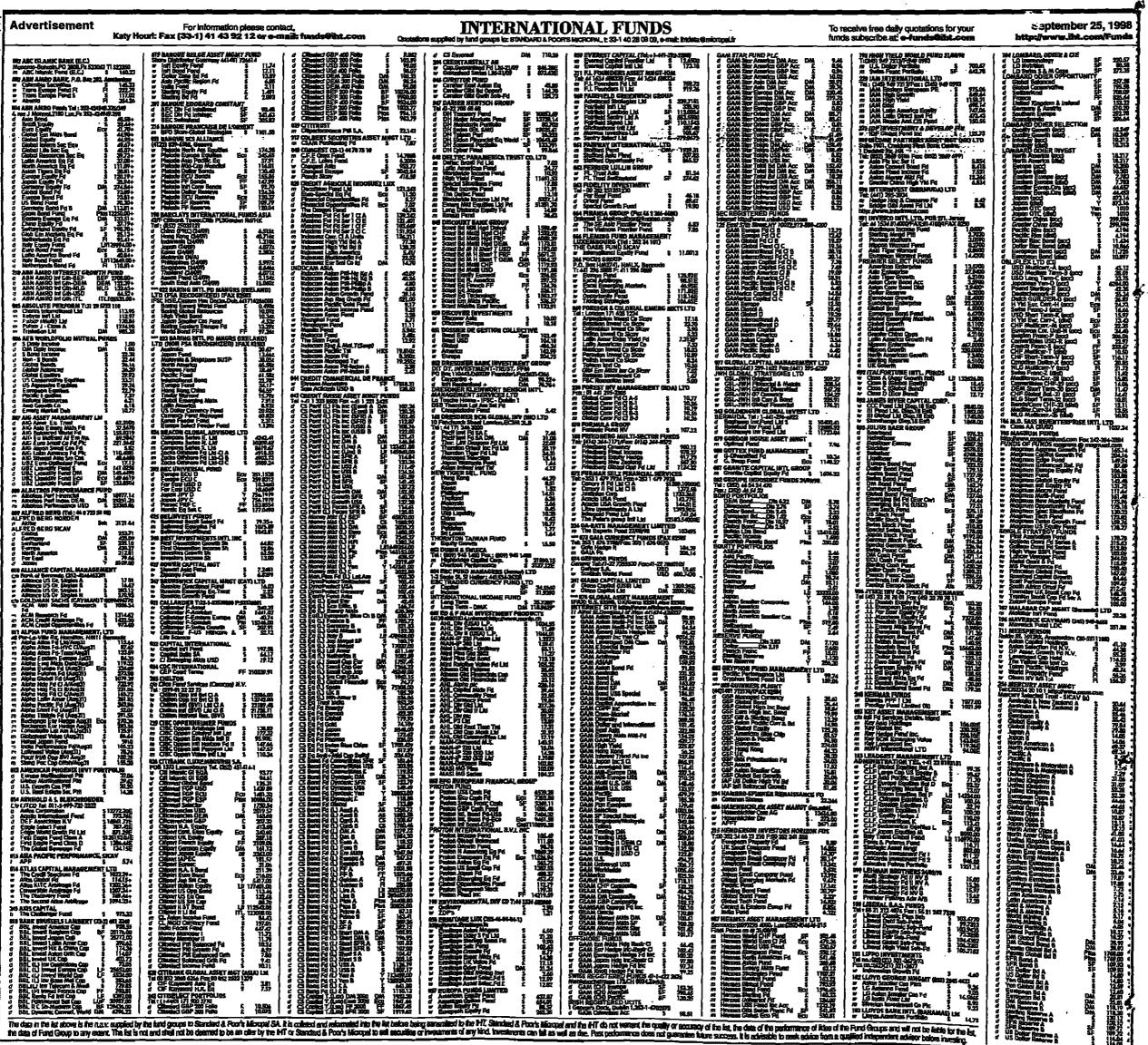
"At the current price, it's still worth, buying," said Tim Finucane at Nikko Securities. "They have a strong cash position, but are looking at doing an acquisition that should be carnings-positive."

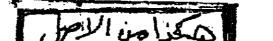
While Johnson's cash earns it yields of about 6 percent, the company's return on operating equity has been more in the area of 30 percent, Mr. Finucane said.

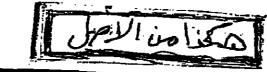
Vijay Harjani at Credit Suisse First Boston agreed. "Once they deplete their cash over two to three years, I don't see why the stock shouldn't continue to outperform the market," he said.

As oil prices have dropped, so has the share price of oil-equipment stocks, such as Keppel FELS Ltd., a Singapore-based maker of shallow-water, offshore "jackup" drilling rigs. The stock is cheaper than it has been for 10 years, and while analysts say it could get cheaper if oil prices stay depressed, it could also be a great way to benefit from an eventual recovery.

With all of its revenue in U.S. dollars, Keppel FELS is looking at having a netdebt-to-equity ratio of no more than 10 percent this year, according to Sim Cheng Hoon of Merrill Lynch in Singapore.









TALL STREET wants you LTC partly because he admired Mr. ercise, Susan Dzubinski, editor of Mornbrilliant seers, wizards, getiuses or, in the novelist Tom Wolfe's

phrase, "masters of the universe." Baloney. Investing is actually simple. The experts - especially when they become convinced of their own genius leget into trouble by making it complicated. The lesson for small investors is to buy good companies at good prices and hold onto them for a long time. That's it.

Stray from this path at your own peril. Two recent examples of experts gone wrong are: 1) a high-flying bond trader whose hedge fund is about to crash and penny moves. LTC's positions at times burn and 2) a quintet of mutual fund exceeded \$100 billion — or as much as experts who have been making embar- 50 times its capital.

rassing selections for the past five years. The bond trader is

John Meriwether, the Wall Street archetype

for Mr. Wolfe's "Boafire of the Vanities" and Michael Lewis's "Liar's Poker." Mr. Meriweth- Even the good years were not so imer's firm is now on the verge of collapse. and the story of its travails has helped drag the Dow Jones industrial average down this week.

Mr. Meriwether left Salomon Brothers in 1991 after a bond-trading scandal. Three years later, he started his own firm, Long-Term Capital, with what Business Week called a "dream team of high-tech traders," including the Nobel economists Robert Merton and Myron Scholes and David Mullins, a former vice chairman of the Fed.

LTC's idea was to exploit tiny anomalies, or supposed glitches, in the market. The precise niche was a computerassisted arbitrage strategy called "con-vergence trading" — finding thin spreads between different types of bonds and currencies, then speculating that those spreads would narrow or disappear over time.

For instance, Mr. Meriwether's men apparently thought the gap between the value of the U.S. dollar and the British a profit of \$93,000. pound had grown too large, so they made bets on derivatives that would pay off if Jacobs, editor of the No-Load Fund Inthe gap shrank back to the historic average. That has not happened; in fact, the

In the 1994 Business Week article, Mr. Mullins says he left the Fed to join

to believe that investing is a Meriwether's ability to harness the ups ingstar Fund Investor, had the missfortune of black art, practiced best by and downs of the market: "Risk man-

cent in August alone, and its total capital depleted from \$4.8 billion at the start of the year to just \$600 million today.

While "convergence" or "directionbig money at this game is to borrow heavily so that you can make enormous investments and score millions on one-

JAMES K. GLASSMAN ON INVESTING

In the end, Mr. Mexiwether's "dream team" proved to be too clever by half. pressive. According to The Wall Street Journal, LTC returned 43 percent, after fees, in 1995, 41 percent in 1996, and 17 percent in 1997. That's a total gain of 135.4 to shareholders, Robert Torray, manager percent. Sounds great, until you realize that of the Torray Fund, says that "these revealed until publication, the Standard & Poor's 500-Stock Index experts are as knowledgeable about mureturned almost as much — 117 percent.

For the second example of experts gone wrong, turn to The New York Times. Five years ago, The Times came up with an interesting idea: Give an imaginary \$50,000 to five experts. Have each allocate the money to mutual funds, switching (if they want) every three months.

The results are miserable beyond July 7, 1993, to June 30, 1998, the Van-products and programs. guard Index 500 fund, which simply owns all the stocks in the S&P average and charges minimal expenses (since it percent. So a \$50,000 investment stashed in the fund became \$143,000 -

But the best of the experts — Sheldon vestor, a newsletter based in Irvington, New York - managed profits of only \$63,000, or 32 percent less than the gain of the dumb old Index 500 fund.

Another participant in The Times ex-

taking over for her boss, John Rekenthaler. agement is the key to success."

The Morningstar pair increased their portfolio by just \$48,000, a gain of 96 percent, or roughly half that of the index fund. Ms.

Dzubinski chose nine funds for the most (the investors' own stake) reported to be recent quarter, and eight of them posted losses, for a net decline of 4.1 percent, even though the S&P gained 3.3 percent.

Eric Kobren, editor of Fidelity Insight, less" trades like the dollar-pound bet restricted himself to Fidelity funds, in don't sound risky, the only way to make which he is supposed to excel. But his which he is supposed to excel But his holdings rose by only \$59,000, trailing the index fund by 37 percent.

The other two fund pickers investment advisors Jack Brill of San Diego and Harold Evensky of Coral Gables, Florida — boosted their port-

folios by just \$53,000 and \$38,000, respec-tively, finishing 43 percent and 59 percent behind the index

What makes the results particularly disturbing is that Mr. Jacobs and Mr. Kobren publish highly regarded newsletters, and Morningstar is a superb re-search service. In his most recent letter tual funds as anyone in the country." Yet their results "are shocking."

Mr. Torray argues that investors who follow the ever-changing choices of experts like these are running a big risk — similar to the risks of investors in Long-Term Capital. in the Standard & Poor's In-He describes that risk as "overdiversidex, in short-term Treasury fication, trading, with its attendant tax bills, and the grind of fees and other expenses imagination. Over the full period, from that attach to so many of today's investment

He adds: "We think investors will substantially improve their prospects if they tune out the background noise, try not to lacks a real-live manager), returned 186 watch the market too much and simply buy a few funds managed by experienced people with good reputations. The funds selected should follow a sound philosophy, have a solid long-term record, low turnover, reasonable expenses and not too much diversification."

In other words, keep it simple which is the lesson that Mr. Meriwether's crew also ignored.

BRIEFCASE **New Tricks Make** Old Dog a Winner

Turmoil has rocked stocks this year, but the investment

adviser Michael B. O'Higgins is sitting on big gains. Mr. O'Higgins runs O'Higgins Asset Management Inc. in Miami, and he claims to

have originated the so-called Dogs of the Dow stock-picking theory. He has seen two funds — based on a new version of the Dogs theory grow by double digits through Sept. 21. The reason? He has chosen to invest in bonds. So far, his U.S. fund is up 18.9 percent and his offshore fund is up 29.6 percent.

Alternating between stocks and bonds — depending on conditions — is central to Mr. O'Higgins's theory, which is detailed in his new book, "Beating the Dow With Bonds," due out Dec. 9. (A follow-up to his 1991 book, "Beating the Dow.") While the exact formula for choosing which vehicle in which to invest annually will not be a 15-step process that takes

only several minutes. By following his strategy, investors decide whether to be in the 20 best-yielding stocks bills or in long-term U.S. Treasury zero-coupon bonds.

Using the theory, Mr. O'Higgins said, investors could have beaten the Dogs of the Dow strategy the past 30 years, attaining a 24.5 percent average yearly return, versus 18.1 percent for Dogs stocks. For the last 29 years, the theory would have investors in stocks for only eight years.

Essentially, Mr. O'Higgins said, the theory calls for doing "a valuation of stocks to long-term interest rates for what is available with lesser risk, with the understanding

that stocks should always be early November, but indicheaper than bonds." Yet vidual investors from other them for at least two years. stocks should return more to countries will not be able to

Then you have to look at

O'Higgins said, acknowledging that the outlook was becoming a bit dim. (IHT) FOR MORE INFORMATION on Mr. O'Higgins's new theory, see the Money Report article on the Internet at www.iht.com/HT/MONEY/ will be given to employees, 011798/ng0017980.mg

Polish Phone Sale

Poland is planning the first phase of the privatization of its telephone company by

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compensate for risk, he said. participate in the initial sale.

the bond outlook," Mr. 20 percent to 25 percent of Telekomunikacja Polska SA to structuring and the sale of teleinstitutional and private Polish investors. An additional 15 per-

who will not be allowed to sell

The state economic committee said it also hopes to find The government plans to sell a "strategic investor" with experience in finance, re-

communications services." The company's estimated value is \$12 billion to \$20 billion.



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Baseball Gets

Jefans Back

A Change in Spain

Cycling Spain's Jose Maria Ji-

menez grabbed the overall lead in

the Tour of Spain from a teammate,

Abraham Olano, after a tense battle

on the final mountain climb on Fri-

day, while Fernando Escartin ons-

ted the Frenchman Laurent Jalabert

from the runner-up spot.

into the stage in fourth place.

lenges for leadership are expected

to be played out Saturday in the 21st stage, a 39-kilometer (24-mile) individual time trial in and

around Fuenlabrada, near Madrid

in the tour, was thrown out of the

race before Friday's stage after fail-

ing a blood test, as was a teammate,

governing body, said Friday that it

was prepared to take drastic mea-

sures to ensure a breakaway Euro-

pean Super League never gets off the ground. FIFA's president, Sepp Blatter, said soccer authorities

could suspend national associ-

ations whose teams take part in any

Super League.

ccer FIFA, soccer's world

Jose Carlos Dominguez.

FIFA Issues a Threat

Spain's Daniel Clavero, seventh

WORLD ROUNDUP Flying Start for Sweden

Bjorkman's Victory Opens Davis Cup Semifinal

By Christopher Clarey

STOCKHOLM - With its narrow, well-worn wooden bleachers, the Kungliga Tennishalle is no modern sports palace. It is a cramped, annospheric place

with a mere 4,000 sears and a past. Built during the Second World War The Russian Sergei Zintchenko took victory in the 206-kilometer while Sweden was busy staying neutral, it was the first indoor arena built ex-20th stage. Jimenez, who pushed out ahead of Olano on the fourth of pressly for the sport that King Gustav V enjoyed above all others. And it was in this same "Royal Tennis Hall" in 1975 six erueling mountain passes, went that Bjorn Borg clinched Sweden's first With Sunday's stage a purely ceremonial round, all final chal-Davis Cup title.

It was the start of something remarkable, and Borg was a member of the sellout crowd on Friday night as the Swedes tried to put another brick on the Davis Cup edifice for which he laid the foundation. Over the years, Borg has seldom expressed interest in watching others play the game he mastered, but he must have enjoyed the first match of this

semifinal against Spain. When it ended, Jonas Bjorkman had ven Sweden a 1-0 lead with a 6-3, 7-5, 6-7 (5-7), 6-3 victory over Alex Cor-"My finest singles match in Davis said Bjorkman, who has played several others worth savoring in the last

Using rankings as a guideline, it was a mild upset: Bjorkman is ranked 13th in the world; Corretja is seventh. But if one considers indoor expertise and homecourt advantage, it was as predictable as

a long winter in Stockholm. Bjorkman, with his compact strokes,

volleying is a natural fast-court player. Correta with his lengthy backswings, awkwardness at the net and tendency to work well behind the baseline, is not.

Corretia, a finalist at the French Open on clay in June, admitted as much be-forehand, dismissing his chances of beating Bjorkman here despite having beaten him twice on hardcourts in the past.

But Corretja, who had never lost a Davis Cup singles match until Friday, played with more enthusiasm than he projected, ripping enough superb passing shots to extend this encounter to four sets and 3 hours 20 minutes. "Even if everyone thinks we were favorites in this match, we Swedish

players know these guys can play even on this surface." Bjorkman said. "It was a few points here and there, but that's what you expect when you play a top 10 player like Alex." Spain is unquestionably the strongest

tennis nation never to have won the Davis Cup. It lost in the final in 1965 and 1967 when its current captain, Manuel Santana, was a player instead of good-natured counselor on ageovers. But since the World

Group was launched in 1981, this is only the second time Spain has reached the semifinals — a remarkably poor record in light of their depth and strength for much of the 1990s.

If Spain could play all its matches on clay or hardcourts, its might have done much better, considering the formidable baseline presence of Corretja and his close friend Carlos Moya. But most teams that play host to Spain are going remarkably quick feet and fast-twitch to lay down a carpet, and even if the one



Jonas Bjorkman during his victory over Spain's Alex Corretia.

in Stockholm was red, it was no welcome mat to Corretja. A year ago, Spain was upset in the quarterfinals by Italy on a quick indoor surface, and while Corretja's loss does not a Davis Cup defeat make, the odds were against them.

"What I was missing was a bit more time to adapt," said Corretja, who hails from a city, Barcelona, with only one indoor court. "Five days of practice was pretty short. It's been 10 months since I played on a surface like this one."

Moya, the world No. 5, was to face Thomas Johansson in the second singles match Friday that had the potential to be close. The same cannot be said of Saturday's doubles between Bjorkman and Nicklas Kulti, one of the world's most explosive teams, and the Spanish duo of Julian Alonso and Javier Sanchez.

Flo-Jo Case Leaves Risk Of Drugs Still in Question

By Ian Thomsen International Herald Tribune

OSTON - If the coroner in Los Angeles were somehow able to determine that Florence Griffith-Joyner's supple body expired under the stress of illegal, performance-enhancing drugs, she would not be defamed. On the contrary.

If it could be proved that she used those drugs to win three Olympic gold medals and set two world records in 1988, her name would become a rallying cry for those who believe that the purest of all of mankind's sports has itself been poisoned by the use of those drugs.

For decades now we have been hearing from the medical experts that steroids and other performance-enhancers are destructive. But the warn-

IN AMERICA

ings have lacked the hardest evidence. The doctors have claimed that these drugs can cause death - but who of any great fame or impact has

An annual poll of athletes suggests that the majority would be willing to take a drug that would end their lives prematurely, so long as it helped them to become a champion.

The willingness to risk everything seems to be borne out by many of the professional cyclists who reportedly use the blood-thickening drug EPO even though the deaths of several colleagues have been linked to that

When track and field stars take steroids or human growth hormone the drugs rumored to have fueled Griffith-Joyner 10 years ago — do they really believe they are risking

If it turned out that Griffith-Joyner was in fact poisoned by drugs that she took a decade ago, then she, a tragic figure at the age of 38, would become the embodiment of the most important, and currently the most futile, cause in her sport.

Her death could do for the anti-drug movement what Magic Johnson's illness did to promote the awareness and

understanding of AIDS.

'The rumors linking Griffith-Joyner to drugs are not at all unfounded. In the year leading up to the 1988 Olympics, her body underwent a conversion as if in the hands of a

In 1987, she looked like a normal woman athlete; by the following year, almost miraculously, her body was lean and rippling. In her tight designer leggings and long brightly painted fingernails, she was like an aerodynamic racing car.

Ben Johnson was stripped of his gold medal and 100-meter world re- Sports Illustrated magazine.

cord after testing positive in the 1988 Olympics at Seoul.

Flo-Jo went out much more quietly. Her retirement was an unfathomable decision.

Other Olympic stars, even those on) the verge of quitting, spend another year on the circuit to cash in their gold. medal for the lucrative appearance fees and endorsements that come as a reward for their years of hard work. But Griffith-Joyner, at 28, her athletic peak, vanished from professional competition.

Prince Alexandre de Merode, chairman of the International Olympic Committee's medical commission, addressed these rumors when he said that Griffith-Joyner had. been singled out for rigorous drug, testing because of steroid allegations. He said she passed every test.

"So there should not be the slight. est suspicion," he said Wednesday. "Let her rest in peace. The issue is

In his dreams it is closed.

Jean-Pierre de Mondenard, a French sports doctor and drug expert, described Griffith-Joyner's breathtaking muscular development before the 1988 Olympics as "humanly impossible.

He reminded L'Equipe, the French sports daily, that scores of East German arhietes used drugs in the 1980s while avoiding detection in the Olympic laboratories.

It should be remembered that Ben Johnson was caught because he was using steroids shortly before the Olympics. He was suffering from a leg injury

and needed the drugs to regain his speed. In his mind there was no other choice if he wanted a gold medal — he had to take the risk that traces of the drugs would still be in his urine by the time of the Olympic tests.

The autopsy of Griffith-Joyner may find a congenital defect or some other cause of death, like an anemysm, which cannot be traced back to drug use. Even if drugs did lead to her end, it is unlikely that the coroner will be able to find evidence proving the link.

Griffith-Joyner will probably remain as controversial in death as she was in the thost brilliant moments of her life. If so, then her death will not have been in vain. For the athletes who need illegal drugs to win their gold medals, the only proven danger has been the sit caught

Now, when they think of Flo-Jo, they might realize that the stakes are much more grave. It may be that Ben Johnson, for all his worldwide humiliation, got off lightly.

lan Thomsen is a senior writer at

Look for Stewart to Turn Things Around for the Steelers

By Thomas George

Seahawks (3-0) at Steelers (2-1) Seattle has surprised many fans. For many others, the Steelers' showing in Miami last Sunday was a big surprise. Pittsburgh wasn't just shut out but was also shut down. Big turnovers and a pressing game by Kordell Stewart, the Steelers' quarterback, was where it started. But Stewart turns things around

NFL MATCHUPS

with his arm and with his legs. He should and will run more, and his passing will improve, too. The Seahawks put on a show, a talented bunch at every turn, but Pittsburgh answers. Prediction: Steelers. 17-10.

Jaguars and the Oilers meet, it usually means a close game. All six games in their series have been decided by 8 or fewer points and Jacksonville has won four. The rookie back Fred Taylor will be asked to do more for the Jaguars in the running game, and Mark Brunell continues to do his thing: Escape the rush and make zinging, accurate throws downfield. The Oilers need this game to build on their high hopes. Oilers, 24-22.

Cardinals (1-2) at Rams (1-2) When the quarterback, Tony Banks, covered the football and went running toward the end zone in the closing seconds and scored and beat Buffalo on last Sunday, it was a fun sight. He has courage and he is intent on doing things his way in becoming a big-time NFL quarterback. This is another step, lifting his team to .500. Rams, 24-13.

Broncos (3-0) at Redekins (0-3) Washington can still move the football, just not far enough or long enough and with-out turnovers arising. But the defense is under siege. This team is in big trouble. It goes 0-4. Broncos, 36-23. Packers (3-0) at Panthers (0-2) Green

Bay gives up an average of 76.3 yards fewer than Carolina on defense. Too Jaguara (3-0) at Oliors (1-2) When the much Brett Favre throwing to Antonio Freeman for Carolina to handle. Too much Reggie White and LeRoy Butler on defense. Packers, 27-20. Chiefs (2-1) at Eagles (0-3) The

turnover game says pleuty about these teams. The Chiefs win turnover battles - they protect the ball and steal it. The Eagles lose turnover battles — they toss it away and do not steal it enough.

Enough said. Chiefs, 20-9.

ints (2-0) at Colts (0-3) The Saints keep it simple. They run it and stop the run. They play hard and smart. At least, through two games. Jim Mora, the Colts' coach, sees his old team, a team he coached for 11 seasons. Sean Dawkins, now with the Saints, played five years with the Colts, including last year. Dawkins gets to enjoy the reunion more than Mora. Saints, 19-17. Raiders (1-2) at Cowboys (2-1) The

Dallas coach, Chan Gailey, is making up nicely for the loss of Troy Aikman at quarterback, finding different ways to get his backs the ball in different situations. And it is working. Dallas sees the future when it tries to defend the Raiders' back Napolean Kauffman, But Dallas wins on special teams. Cowboys, 29-21.

rs (2-0) The raicons cannot win the NFC West without beating the 49ers. The 49ers have won 12 of the last 16 in this series. Steve Young has passed for more yards (4,055) against the Falcons than against any other team. Atlanta's Chris Chandler has thrown at least Barry Sanders runs out of the Bucs' one touchdown pass in 14 consecutive games. A good show. 49ers, 27-10.

Giants (1-2) at Chargers (2-1) The Gi-

star so far this season with a leaguemost punts landing inside the 20. That's nice, but if it has been the highlight through three games, you are in trouble. No way the rookie quarterback Ryan Leaf is as horrible as he was last week against Kansas City. Chargers, 23-16.

Vikings (3-0) at Bears (0-3) The Bears can take the ball away on defense. So, why haven't they won yet? Not enough big plays. Not enough consistency. Some tough luck. The Vikings' coach, Dennis Green, is 9-4 against the Bears. Make it one more time, Vikings, 20-13. Bongals (1-2) at Ravens (1-2) The team

that makes fewer turnovers prevails: That would be the Ravens. They start Eric Zeier instead of Jim Harbaugh, and his passing rating (93.6) is higher than the Bengals' quarterback Neil O'Don-nell's (91.1). Zeier and the Raven rundefense wins it. Rayens, 14-6. Buccaneers (1-2) at Lions (0-3) No-

torious slow starters, this is where the Lions begin to rise. The rookie quar-terback Charlie Batch settles in, and grasp. Lions, 23-13.

Bye week: Buffalo, Miami, New Engants' punter, Brad Maynard, has been a land, New York Jets.

SCOREBOARD

BASEBALL

W L T Pct 42 S5 3 530 45 60 2 520 67 63 1 515 65 62 2 512 60 64 3 484 52 48 3 484 CENTRAL LEAGUE

. Hanshin, ppd., raid MICEFIC LEAGUE

FOOTBALL MAJOR COLLEGE SCORE

I C E H O C K E Y

NHL Preseason Celerado 2, St. Loois 1

BASKETBALL

EUROLEAGUE GROUP A
Sentire, Russia, 72. Varese, Roly, 70
Vitoria, Spoin, 88. Pay Crifter, France, 84
GROUP B
Creens Zvezde, Yug., 66. Choons, Credito, 69
Maccabi Tel Arte 62. Parathinaliza, Gre., 84
Mannesa, Spoin, 67, Eries, Islambul, Tur., 68
gascus a Alba Berlin, 63, CSKA Mascow, 70 Kinder Bol. It. 67, Olympiatus Placeus, Gre., 72

CRICKET KARACIN YS. ADSTRALIA POUTLOAY MATCH, FIRST DAY

Australia: 438 for five CYCLING

Leading placings Friday in 206-kilon 27-miles 20th stans from Cornel - - - -

a Permande Eschart, Spain, V. C. Postal Service, s.t. S. Lance Armstrong, U.S. U.S. Postal Service, s.t. 4. Marco Serpellini, Italy, Breschildt, et 1:07 7. Abrothom Okono, Spain, Banesko, 1:09 8. Marcos Serrono, Spain, Kelline, 1:18 9. Lowrent Joiabert, Franco, ONCE, 1:49

do, Avianço 18:32

hester United 2. Liverpool 0

ampa Bay 4. Columbus 3

OCEANIA NATIONS COP

TOUR OF SPAIN

10. Ahrara Gaideana, Spain, Euskatel, 2:01 ONTORALL: 1, Jimenez, 88,48:17; 2, Es-cartin, at 6 sec.; 3, Okasa, Spain, 38; 4. Herus. 1:34 S. Joiobert 1:40: 6. Armstrong, 2:49; 7.

SOCCER

FRENCH FURST DEVES Islia (), Olympique Marsellie 2

english premer leagu U.S. MAJOR LEAGUE SOCCE

od 1. Tahili 0

TENNIS DAVIS CUP

World Group SEMFINALS SWEDEN 1, SPAIN o Jones Bjerkmen, Sweden, del. / elje. Spein, 6-3, 7-5, 6-7 (5-7), 6-3. AUSTRALIA 2. UZBEKISTAN Juson Stollenberg, Aus., def. Ro, Uzb., 7-5, 6-1, 6-0.

1346 J. Jounnelle 1946 G. Aministrony, CANY Jr. Goldenny, 442; B. Alex Zuella, Switzerland, Festina, 6:44; 9. Serpellial, 7:28; 10. Serrana, 7:41; 11. Jon Odrinzola, Spoth, Banesira, 11:27; 12. Richard Virenque, Franca, Festina, 13:11; 13. Manuel Bellium, Spoth, Banesira, 14:17; 14. Zintchenko, 17:45; 15. Jose Costeliblanco.

def. Mahash Bhupathi, Incl. 4-6, 6-3, 6-3, 6-3.
NETWERLANDS 2, ECUADOR 9 erink Neth def. Luis M cu. 6-3.6-3.6-1: Poul Ho

Ecu. -6-3.6-3.6-1; Poul Hoarhus, Neth., def., Nicolas Lapenth, Ecu. -6-2.6-3.6-2.

CZECH REPUBLIC 2, SOUTH AFRICA 0
Slava Dosedel, Cz. def. Woyse Ferreira, S. Afr., 6-2.6-3.6-4; Bohdan Ulfhroch, Cech R. def. Marcos Ondrustas, S., Afr., 6-1, 6-2.6-1.

BRAEL 6, FRANCE 2
Cedific Pictins, Fr., def. Amir Hodod, Isr., 6-2.6-3. Guillaume Room, Fr., def. Harel Lewy, Isr., 7-4, 7-0, 6-2.6-4. 2, 6-3, 6-3: Guillaume Room Levy, Isr., 7-6 (7-0), 6-2, 6-4.

Yevgery Katelakov, Rus., del. Golchi Mo-tomura, Jop., 4-6, 6-2, 6-3, 6-3; Marral Sofin, Rus., led Tokao Suzuki, 7-6, 7-4), 3-1; roin, Jonainik, Hrhoty, Slovalida, del. Franco Squillant, Arg., 6-3, 6-2, 6-2; Herman Gurya, Arg., 6-6, Kozok, Slovakia, 6-1, 6-1, 6-4 Asta—OCLANIA ZONE

FREDAY IN TOKYO

Fernando Meilgeni, Br., def. Andrea Volntea, Rom., 6-1, 6-2, 7-6 (7-3); Gustavo Kuerten, Br., def. Andrei Pavel, Rom., 7-5, 6-3, 6-3.
Brittain Z. moli. 40
Greg Rusedski Brit, def. Leander Poes, Ind., 2-6, 6-3, 3-6, 6-2, 11-9; Tim Herman, Brit,

TRANSITIONS

RASTRALL

RATIONAL LEAGUE

ATLANTA—Activated OF Donny Boutisto
from 15-day disabled 5st. LOS AMGELES-Named Ed Creech assist

NOTIONAL POOTBALL LEAGUE

NFL-Fined Phisborgh T Will Wolford
\$5,000 for fighting with Mismr DL Jassen
Toylor in Sept. 20 game. Fined Deinter Broncos F5 Steve Alwater \$5,000 for helmel-first
hit on Octdond TE Rickey Dudley in Sept. 20

game. GNCHNATI— Refeased DE Harry Deligi-

CAROLINA—Signed D Notion Profit to and-tiyeor contract.

CHICAGO—Signed RW Eric Daze to mot-MONTREAL-Signed C Solks Kelve to 2-year

Los ANGELES—Signed G Jamie Starr to 3- Princess Cup, to Sept. 27. Kar contract. OTTAWA—Re-signed RW Andreas Dackell multiyear contract. SAN JOSE—Re-eigned C Bernie Nicholls. VANCOUVER—Re-signed F Brad May to 2-ar contract. Signed F Bill Muckatt.

unced that Beth Burns, OHIO STATE.—Announced that Beth Bo women's basiseiball cooch, has been app ted to selection committee of U.S., wan national team for 2000 Clympics.

THE WEEK AHEAD SATURDAY, SEPT. 25

CRICKET, Bulawayo, Zimbabwe — 77-shabwe vs. India. 1st 1-day international. CYCLING, Madrid, Spain — Tosraf Spain. to Sept. 27.

QOLF, Gut Lorchenof, Germany — men,
German Massacs, in Sept. 27. Sept. America.

German Masters, to Sept. 27; Son Antonio — men, German Masters, to Sept. 27; Son Antonio — men, LoContera Texas Opera Kutztown, Penasylvania — women, CoreStates Betsy King Classic, to Sept. 27; Karokawa, Japan — Miyagi TV Cup Ladies; to Sept. 27; Augusta, Migaoud — Beniors, Boune Valley Classic, to Sept. 27.

Someo, Fiji vs. Tongo.

soccess., Brisbons. Austrolia -- Oceanio
Nations Cup. to Oct. 4. Nations Cup, to Oct. 4.

TENERS, Davis Cup matches: World
Group, seminates American Zone Group I,
that-round playoffs: Asio-Oceania Zone
Group I, third-round playoffs: Euro-African
Zone Group I, thrid-round playoffs: American
Zone Group II final: Asio-Oceania Zone
Group II final: Euro-African Zone Group II,
final: to Seet 97.

SUNDAY, SEPT. 27

massmall. New York — U.S. Major Legues Basebol final day regular season. CRICKET, Balawayo — Zimbabwe vs ndio 2d 1-day international. **SOTOR RACINO,** Nuerburg ny — Formulo One, Luxembo

TABLE TEXTURE, Osoko. Japan -Table Tennis Championships, in Oct MONDAY, SEPT. 28 KET, London — MCC vale on ad-

Prix de Toulouse, to Oct. 4: Mois men, Muliorco Open, to Oct. 4: Leipzig, Ger-mony — women, Sporkessen Cop, to Oct. 4: ad to Oct. 4.

TUESDAY, SEPT. 29 BASEMALL, New York — U.S. Major eagus Baseball Playoffs begin. ion Gomes, to Oct. 12. BOCCER, - UEFA CUR, First Round, return leg.
TERRES, Munich, Germany
en, Grand Storn Cup, to Oct. 4.

WEDNESDAY, SEPT. 30 CRECKET, Harare, —Zkababwe vs. India,

CHROSE IV.

3d 1-day international.

soccess, U.S. Major Soccar League firstsoccess. Leag access. U.S. Major Soccer Langue ma-round playoffs begin. European Champions League, second retation: Ajax vs. Party Olympiatos vs. Crostic Galateary vs. Attletic Bilboor Rosenborg vs. Jovenskes Sportek Moscow vs. Real Modrid; Infer Miller vs. Sturm Graz; Barcelona vs. Brondby; Bayers Munich vs. Marchester United: Amend vs. Prontitionillers Durant Kinton Kinton fica vs. PSV Eindhover; HJK Helsinki.vs.

THURSDAY, Oct. 1 CRECKET, Rowalpheli, Pokistan okistan vs. Australia. 1st test, to Oct. 5. Posseria vs. Australia, 13 reg., to Oct. 5.

GOLF, Zoute, Belglum — men, Belgocom

Open, to Oct. 4: Higasti-Ibaruki, Japan —
men, Japan Open, to Oct. 4: Pine Anountain,
Georgia — men, Beick Chaffenge, to Oct. 4.

SOCIOEN — European Cup Winners Cup,
first round, refurn second leg.

FRIDAY, Oct. 2 GOLS, Ichihara, Japan — Kasalda Ladies, OC. 4: Clemmons, North Carolina — se-lors, Vantage Championship, to Oct. 4.

rwas, vantage Chemplonship, to Oct. 4.

**soccisis — African Cup of Nations qualifying: 2d Round: Cameroon vs. Ghallandian Cameroon vs. Ghallandian Cameroon vs. Skriva Leone. Togo vs. Equatorial Guinea, Ivary Coast vs. Mail, Gobon vs. Mouriffus, Bokins Faso vs. Nigeria. Burundi vs. Serregal, Zambla vs. Cameroon. olo vs. Congo, Tunisio vs. Liberlo. G Switz. — European cuas draw SATURDAY, OCT. 3

BOCCER — African Cup of Nations qualifying: 2d Round: Namibia vs. Canga, South Africa vs. Angala, Kenya vs. Modogascar, Zambia vs. DR Congo, Uganda vs. Algeria. SUNDAY, OCT, 4

ATHLETICS, Minneapolis—U.S. Ma Aurathon Championship: Perliand / Triomphe.
INSTOR PADING, Housian — Championship Cars. Grand Prix of Housian.
INSTORCYCLE RACONG. Philip Island.
Australia — Australian Grand Priz.
SOCCERR, Medico City — Confederations



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مكناهن الاصل



SPORTS

Yankees Surpass '27

Red Sox Clinch, and the Rangers Are Close

The Associated Press

It was a noteworthy night for three of the American League's top teams.

The Boston Red Sox clinched the wild card, the Texas Rangers clinched a tie for the West title and the New York Yankees tied the league record for victories in a season.

Shane Spencer, a rookie, hit a grand slam as New York beat Tampa Bay, 5-2, Thursday night for its 111th victory,

AL ROUNDUP

matching the AL mark set by the 1954 Cleveland Indians and breaking the team record established by the 1927

"To me, the Yankees record is more important than the American League record," said manager Joe Torre, whose learn had three games left against Tampa. Bay to set the AL record. "We've made our place in history. The '27 club is the

standard everyone goes by."

The Yankee owner, George Steinbrenner, said after the game: "From the time I was a kid growing up, all I ve ever heard is how great the '27 Yankees heard is how great me 2: heard is how great me 2: heard is how this means so much. to me. It's not the No. 1 thing - it's second. Breathing is."

Baseball Gets Its Fans Back

New York Times Service

NEW YORK - The Sosa-Mc-Gwire home run race has rocketed baseball back into the minds and hearts of people who had aban-doned it after the strike that shattered an exciting 1994 season.

Results of The New York Times/ CBS News Poll showed that fans have followed this season with far greater interest than at any time since the poll was first conducted, in 1985. Furthermore, Major League Baseball will set a total attendance record with about 70.5 million fans.

The interest generated by the home run race was reflected in the poli this week. Twenty-two percent of those responding said they were very interested in watching or fol-lowing baseball, up from 15 percent a year ago, and 41 percent were somewhat interested, up from 27 percent. Conversely, 38 percent said they were not at all interested, down from 58 percent.

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tions to the

The poll marked the first time since the question was first asked in 1985 that the "interested" number exceeded 60 percent.

For Spencer, it was his fifth homer in his last 17 at-bats for the Yankees. The 26-year-old rookie has 11 hits and 15 RBIs during that stretch, including his first career grand slam last Friday in

Red Sox 9, Oricles 6 While the Yankees clinched a playoff spot on Aug. 29, the Red Sox didn't secure their postseason berth until their victory over Baltimore.

Nomar Garciaparra homered twice and scored four runs, Tom Gordon set a major league record with his 42d con-secutive save and Dennis Eckersley tied the record for most career appearances by a pitcher as Boston earned its first playoff berth in three years.

"It's a small step, we understand that," Garciaparra said. "There's still a postseason to play.'

Pedro Martinez (19-7) won for the first time in five starts despite giving up three homers, before Gordon pitched a perfect ninth to set the record for saves. that he had shared with Rod Beck and Trevor Hoffman.

Eckersley tied Hoyt Wilhelm for most career appearances by a pitcher at 1,070 when he relieved in the eighth. Boston's Mo Vaughn went 3-for-5 to inch ahead of New York's Bernie Williams in the batting race, .3344 to .3340.

Rangers 9, Mariners 3 Ivan Rodriguez hit his career-high 21st bomer and Aaron Sele won his 19th game as Texas clinched a tie for the AL West title.

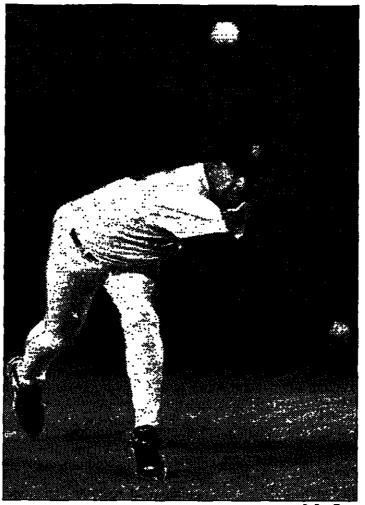
The Rangers, coming off a three-game sweep of Anaheim, lead the Angels by three games with three remaining.

"It doesn't matter how it happens as long as we do it," said the Ranger manager, Johnny Oates. Texas pounded 15 hits, including eight for extra bases, and took advantage of nine walks issued by Marines with the contract of the marines with the contract of the contract o by Mariner pitchers.

Angels 10, Athletics 6 In Oakland, Gary DiSarcina had five hits and two RBIs, and Darin Erstad added three runscoring groundouts for Anaheim. Todd Greene hit a two-run homer, his first of the season, as the Angels scored five in the first. Tim Salmon had an RBI double and Troy Glaus added an RBI single in the inning.

Twins 2, Indians 0 In Minneapolis, Brad Radke pitched 71/3 shutout innings for his first home victory since June 9, and David Ortiz had a two-run double as Minnesota handed AL Central champion Cleveland its fourth straight loss. Rick Aguilers pitched the ninth for his

Royals 6, White Sox 4 Dean Palmer tied George Brett for the second-best RBI total in Kansas City history. Palmer's two-run single capped a fourrun fifth inning and gave him 118 RBIs for the season, matching Brett's total when he was the AL MVP in 1980. Hal-McRae holds the team record of 133 in



Pedro Martinez pitching Boston into a wild-card playoff spot.

Giants, Closing Fast, Hope They Can Go Home Again

Minutes after the San Francisco Giants completed a four-game sweep of the Pittsburgh Pirates, stadium workers began dismantling the outfield fences to prepare for a pion Houston. 49er football game this weekend.

The Giants hope those fences will have to be put back up next week. The 6-2 victory on Thursday pulled San Francisco within one

NL ROUNDUP

game of idle New York and Chicago in the NL wild-card chase, increasing the chances the Giants will play again at home this year. Barry Bonds and three teammates hit solo homers as the resurgent Giants, playing their last his first home run since Aug. 16, scheduled home game of the sea-son, set up a wild weekend in the race for the final playoff spot. .-

the road. The Giants faced Colorado beginning Friday night, while the Mets were in Atlanta to face the East champion Braves and the Cubs played at Central cham-

"I couldn't pick two finer cities for them to play in," said Dusty Baker, the Giant manager. Bonds hit his 37th homer, and

Joe Carter, Rich Aurilia and the pitcher Russ Ortiz also connected. Dodgers 4, Brewers 1 Milwati-kee's Steve Woodard took a perfect game bid into the seventh inning before Roger Cedeno homered, and Los Angeles won at Dodger Stadium. Woodard, 1-7 in his previous nine starts, retired the first 18 batters before Cedeno hit

Marins, Ppd. With a hurricane approaching Florida, the The Giants, the Mets and the game between the Marlins and Cubs all finish with three games on Philadelphia was postponed.

The Great Home Run Derby Goes Into the Final Furlong

By Selena Roberts New York Times Service

ST. LOUIS, Missouri — Maybe it's the claustrophobia in Mark McGwire that has turned him into a man who seems to be desperately searching for an air pocket as everything closes in on him: the season, Sammy Sosa, the news media, zealous fans, ev-

erything.

As the feel-good home run spectacle headed into its decisive weekend, McGwire has been spending his days milling around the luxury hotel he calls home during the season, rarely venturing out beyond the short ride he takes to Busch Stadium. Once tucked in the Cardinals' clubhouse, he is hardly seen and barely heard, choosing to hang out in the he says. He says it doesn't back rooms instead of facing a matter who has the most home crush of questions.

"I think he's just a little tired of it all," said the Cardinal catcher, Tom Lampkin, a close friend of McGwire's. 'I think he's looking forward to getting away from every-thing and just relaxing in the off season. The focus on him has been endless."

Just three more games. "This is a politically cor-This is what McGwire had left rect society we're in," the again.

after failing to break his 65- Houston ace Randy Johnson homer stalemate with Sosa on Said after facing McGwire on Thursday night, going 1 for 3 Wednesday night. "He may Thursday night, going 1 for 3 with a walk and a strikeout in the Cardinals' 6-3 victory

over the Montreal Expos. As much of a relief as this finish must be for McGwire, who has had a draining season decorated by the 62d home run he hit to surpass Roger Maris, the pressure is still squarely on his Atlas-like shoulders.

What would it be like to be showered in glory for breaking Maris's record only to see the Cubs' Sosa end up with edge. The Cubs had the night his name in the history books off, meaning an idle Sosa, as the supreme single-season, while McGwire faced the as the supreme single-season, home-run hitter? "He has told me he doesn't

care," Lampkin said, "Something may be there deep inside, but all I can go by is what runs when it's all over." Not everyone who has seen

McGwire in the on-deck circle lately agrees that he is this indifferent. There have been no signs of a letup as he prepares to face pitchers. He home run race stood even. still closes his eyes, visualizes the pitches he will see, and comes out swinging.
"This is a politically cor-

say he doesn't care. But I think he's just being polit-

ically correct. After all, McGwire has not exactly stepped back and watched Sosa take over the race. Each time Sosa has tied him, McGwire has supplied a swift reply, usually within a day or two. On Thursday night, McGwire, whose home run total of 65 was tied by Sosa on Wednesday, had an

young Expos starter Javier Vazquez (5-15). While the Expos did not intentionally walk him, Vazquez, 22, appeared to shake a bit in McGwire's presence, and walked him on four nervous pitches, drawing boos. In the third, Vazquez came back to strike out Mc-Gwire, who later singled and had a tap-back to the mound. At the end of the night, the

And on Sunday, everything will come to a close. Perhaps when it does, McGwire will have some room to breathe

—Buddis, 4-1, L—W. Alvarez, 6-14, Sv— Nelson (3), HR—New York, Spencer (8), Ausbeim 520 102 000—10 12 1 Optiond 300 300 000—6 11 2 McDowell, T. Wilson (5), Dickson (5), MAJOR LEAGUE STANDINGS W L Pct. 88 71 .553 ·88 71 .553 87 72 .547 HR—Anaheim, T. Greene (1). Testas 633 802 809—9 15 8 Seettle 199 101 809—3 8 1 Selt. Crobine (7). Fossos (7). D. Patierson (7) and I. Rodriguez: Suzuki, Spoljaric (3). Holdridge (6). Lorroine (6). Gajkowski (7). B. Wetts (9) and D. Wilson. W—Selt 19-11. L—Suzuki 1-2. HR—Texas, I.Rodriguez (21). 88 71 77 82 72 86 68 91 64 95 DIVISION Alienje. SAN FRANCISCO (2) — Away (3): Sept. 25. . .553 **Subsensive 129 109 210—6 8 0 **Besten 819 340 10x—7 18 0 **Besten 819 340 10x—7 18 0 **Boston D. Johns (3), P. Smith (5), Corcuso (7), A. Benilèz (8) and Holtes, C. Greene (8): P. Andritnez, Swindell (7), Eckersley (8), Gordon (9) and Holteberg, W—P. Martinez, Swindell (7), Eckersley (8), Gordon (9) and Holteberg, P.-Y. L—Porson, 8-7, S. S. Gordon (45). HRs—Soltimore, P.-Y. Lering (2), Surhoff 2 (20), Holles (15). Boston, Garciaparra 2 (35). Holles (15). Martinez, (17). Readinguez (27). Martinez, (17). Readinguez (17). Martinez, (17). Readinguez (18). Mesa (18). Total (17). Readinguez (18). Mesa (18). Neverna, (18). All Martinez, (18). Boston, Garciaparra (18). Holles (15). Boston, Garciaparra 2 (35). Holles (15). National (17). Readinguez (21). National (18). Readilla (16). Los Angeles, Cedeno (17). Martinez, (18). Martinez, (18). Holles (16). Los Angeles, Cedeno (17). 547 528 .468 .453

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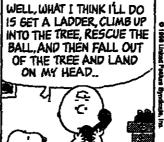
EXPECT MUCH ARE

NOT DISAPPOINTED

WHEN THEY DON'T

GET MUCH





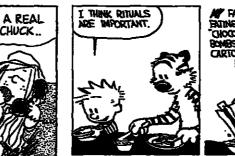
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ALWAYS LOOK HAPPIER THAN

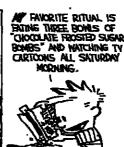








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DAVE BARRY

Cue Alan Greenspan

MIAMI — Where is the American economy headed? Should we be nervous? Will the Stock Market crash? Will we lose our jobs and our life savings and our homes? Will we ultimately have to ward off starvation by eating our

Hold it! Let's calm down! There is NO reason for that kind of thinking! Sure, the economy has been on a "roller coaster" of late, but let's consider the reassuring words of Federal Reserve Board Chairman Alan Greenspan in his recent speech before the Association of People Before Whom Alan Greenspan Gives Speeches.

"This is merely a temporary economic slump," Greenspan stated, adding, "everybody should get some dogs."

So there is absolutely nothing to worry about, except for the eerie parallels between our current economic circumstances and those surrounding the big Stock Market crash that led to

the Great Depression: EERIE PARALLEL NO. 1: The big Stock Market crash occurred in 1929. The year that we are currently in, according to a majority of leading economists, is 1998. Both of these years start with exactly the same two digits, in exactly the same order. Coincidence?

At \$3.49 a cup,

EERIE PARALLEL NO. 2: Alan Greenspan gave exactly the same speech in

our latte industry EERIE PARALLEL NO. alone dwarfs 3: President Lincoln had a secretary named "Kennedy." President Kennedy General Motors.

had a secretary named "Lincoln." Incredibly, neither of these presidents had an intern named "Lewinsky.

So perhaps there is, indeed, cause for alarm. To help us better understand the situation, let's analyze the current economic picture by making up questions and then answering

Q. Why has the U.S. economy been so strong in recent

A. The key is the software industry, which employs many highly educated, well-paid workers to (a) design software and then (b) try to figure out how come it doesn't work.

Q. And that makes the economy strong? A. No. Software actually HURTS the economy, because at any given time two-thirds of the American work force is on hold waiting for Technical Support. What makes the economy strong is that, while waiting, these workers drink billions of

gallons of specialty coffees costing upwards of \$3.49 per cup. Our latte industry alone dwarfs General Motors. Q. So what's the problem?

A. The problem is Asia, a large land mass located near

Hawaii. Asia is having a severe currency crisis caused by the fact that the Asians suddenly realized that a lot of their currency has funny names such as the "baht," the "kip," the "ringgit" and the "Vietnamese currency whose name we can't print in the newspaper but you should look it up in the encyclopedia and then imagine the enclose tream of hilations. encyclopedia and then imagine the endless stream of hilarious jokes you'd be making if you were a tourist in Vietnam." Q. Why does the Asian

economic crisis pose such a serious threat to America?

A. Because Asia is where

The Year 2000 problem lies 'somewhere in the

TV sets come from. Q. Can't we just make our own TV sets? A. Ha ha! The only person carburetor.'

still alive who remembers anything about the era when Americans could actually build a working television is a 92-year-old retired Motorola employee named Horace M. Sneet, who, when asked recently how to make a TV set, said, quote, "You need 12 foot of stout

Q. What about this "Year 2000" computer problem that I keep hearing about? Is it going to cause worldwide economic

A. Don't worry! Our top minds are working on it day and

Q. Who are our top minds? A. Gus and Bud. Their current thinking is that the problem

is "somewhere in the carburetor." Q. So what you're saying is, I should not be worried? A. That is correct. We are a strong nation, and as long as we

do not panic, and our leaders remain wise and vigilant and keep their Vietnamese currency units in their pants, there is every reason to believe that our economy will remain robust until well into the latter part of next Thursday. After that, it would be wise for all of us, if we are looking for a safe place for our money, to remember Alan Greenspan's recent words of advice to investors.

Q. What were those words? A. "Remove the collar first." 🔊 1998, The Miami Herald Distributed by Tribune Media Services Inc.

Intrigue — and a Lawsuit — Over Ancient Coins

By Barry Meier

NEW YORK — William Koch once dreamed about owning an ancient coin collection so magnificent it might be called the hoard of the century. Now he does and he

"I've never had more trouble with anything," said Koch, a member of one of the richest families in the United States, at his office on Cape Cod, Massachusetts. "I just wish I had never seen these coins."

A decade ago, Connoisseur magazine reported that treasure hunters near the village of Elmali in southern Turkey had unearthed a trove of ancient coins that included the rarest and most valuable Greek coins ever found. The coins, it said, were smuggled out of Turkey and sold to Koch and two partners.

Now, a long-running lawsuit filed by Tur-key against Koch and his associates in the coin venture is about to go to trial. Those who fail to take heed when buying antiquit-

ies, this case suggests, may regret it.

At the center of the story stands Koch, an investor better known for his idiosyncratic behavior and his taste for bitter lawsuits. In 1992, he won the America's Cup yacht race. He has also, since the early 1980s, repeatedly sued two of his brothers. Charles and David, over the control of Koch Industries, the family business. (He lost most rounds). And for a decade, he battled Massachusetts over taxes. (He won a \$43 million refund.)

Koch and his partners in the venture Jonathan Kagan, a managing director at Lazard Freres, and Jeffrey Spier, an academic living in London — say their coins are not the ones sought by Turkey. But court documents suggest that they learned even before At the center of the fray: William Koch. they bought the coins that Turkish officials were apparently looking for a recently excavated trove of coins.

In July 1984, Silvia Hurter, a manager at Bank Leu, a Swiss bank that is a major dealer in rare coins, wrote to Cornelius Vermeule 3d, then the curator of the department of classical art at the Museum of Fine Arts in Boston, who authenticated the coins for Koch. "Rumors have it that the hoard that could

reasonably be called 'the Hoard of the Century' is slowly moving to your part of the world.' she wrote. "There may be one snag interviewed for this article, said he was also reasonably reliable source of information opportunity — "a chance to buy the largest that the Turkish authorities are aware of it." hoard of Greek coins ever discovered." On learning of the letter, Koch said, he



sought to check out the dealers' reputations and demanded warranties that the sale was legal. But Koch, who did not notify Turkish authorities, acknowledges that "in hindsight,

we should have done more investigating. It was in 1984 that Kagan first mentioned ancient coins, Koch recalled. He had come to see Koch to make a pitch for Lazard Freres' investment services when he noticed that

I'd like you to be aware of. We heard from a a coin expert and had heard about a rare

Koch had never collected coins. But he



was flush with cash, having just received \$470 million in a settlement with his brothers. His mind began to reel with visions of how he could buy the coins, double or triple his money by selling some of them and still end

up with one of the world's great collections.

The legal warfare between Turkish officials and Koch is especially bitter. In 1989. Turkey accused Koch and his partners of knowingly buying coins that had been "re-cently discovered and illegally excavated." And Koch has devoted much of his sizable resources to defending his position because he says Turkish authorities never tried to meet him halfway.

"We got hit by a lawsoit that made us look like criminals and it really ticked me off," he

declined to comment further.

Among the coins involved in the case, which is to be tried in Boston later this year, are ones so rare that fewer than 30 are known to exist. Called decadrachms of Athens, they were made about 465 B.C. and represent the highest denomination of coinage issued during the city's classical period. Before 1984, nismatists knew of only 13 decadrachms, most in poor condition. But all that apparently changed in April 1984 when three Turkish treasure hunters uncovered a broken earthen jar containing some 1,900 ancient coins.

Koch, after hearing about the coins, did some quick math and decided it was a no-lose deal. Starting in mid-1984, he and his partners bought some 1,700 coins for about \$3.2 million. He estimated that if marketed right they could bring \$7.5 million to \$10 million. But even before Koch and his associates bought

the first coins, the Bank Leu letter arrived. In it, Hurter said that Turkish officials were apparently looking for the coins because "one. of the peasants on the find-spot bought a Mercedes or did something similarly intel-

Koch, then a trustee of the Museum of Fine Arts, soon went to the museum, where some of the coins had been sent for authentication. When he was walking out of the museum, Vermeule told him about the lener, Koch said. "His comment was, 'I don't think there is anything to it, don't worry about it, or something like that," Koch has testified. Vermeule, who retired in 1996, did not return calls seeking comment. But he has indicated in pretrial testimony that he did not have such a conversation with Koch. Still, Koch said he was concerned enough to take action, asking Kagan and Spier to look into the issue.

Hurter declined to be interviewed. But Alan Walker, an employee at Leu Numismatics, as the coin-dealing unit is now known, said Hurter maintains that she wrote to Vermeule as an old friend.

Koch and his partner pushed ahead after requiring the dealers to sign warranties that the sale was legal. They began to exhibit the coins and seek buyers.

But their problems were only beginning. In 1986, Ozgen Acar, a Turkish journalist who specialized in antiquities, began to inves-tigate. And in the 1988 Connoisseur article, of which he was a co-author, he described how the trail led him to Koch. Turkish officials soon moved to reclaim some coins.

Lawrence Kaye, a lawyer in New York ficials soon moved to reclaim some coins, who represents Turkey, said Turkish officials took issue with Koch's statements but have asserted that their coins are not the ones sought by Turkey. To back that up, they point to several meetings they say took place be-fore the discovery of the Elmali hoard in which they were either shown the coins or

had discussed buying them.

At any rate, Koch says his days of investing in antiquities are over. And since 1989, the coins have been entombed once again, this time in a safe-deposit box awaiting the drama's outcome. But Koch appears to be looking forward to participating again in a field he knows quite a bit about lawsuits. According to documents filed by his lawyers, some people involved in the excavation and sale of the Elmali hoard have contended that their confessions were extracted after torture. And Koch says he believes he has an even shot of convincing a jury that he did not buy the treasure of Elmali

"It's a toss of a coin," he said.



FILM "SPOKESMAN" -- Sharon Stone posing with a drawing of Princess Bala from the new animated film "Antz." Stone provides the voice for the film character.

Barnes's "England, England," Martin Pluto." Lord Hurd, the former British foreign secretary, heads the five-member panel of judges, the other members was greeted by crowds of fans as he of which are Miriam Gross, literary walked off his troop transport ship. editor of the Sunday Telegraph; the journalist Nigelia Lawson; the novelist Penelope Fitzgerald; and Valentine

He didn't get away with the King's one count of stalking and three counts of

A BOOK written by a London bus blue suede shoes, but he allegedly took the six nominees for Britain's most prestigious literary prize. Magnus Mills and his debut novel, "The Restraint of he sold Elvis's jacket from a display that the film of the sold Elvis's jacket. Beasts," were named finalists for the case in the Elvis Auto Museum across \$30,000 Booker Prize, which will be from Graceland, the singer's home in awarded Oct. 27. Bookmakers have Memphis, Tennessee, and tried to sell it made Ian McEwan's novel "Amster-for \$100,000.... An Elvis Presley dam" the favorite to win, just ahead of sighting 40 years ago in the North Sea "Master Georgie," by Beryl Bain port of Bremerhaven is good enough bridge, who has been nominated five reason for city officials to throw a fourtimes. Also named finalists were Julian day festival honoring the King of Rock. Steven Adler has been sentenced to 150 "The Day that Elvis Came" festival, Booth's "The Industry of Souls," and from Oct. 1 to 4, commemorates the Patrick McCabe's "Breakfast on young U.S. Army private's arrival in young U.S. Army private's arrival in Germany on Oct. 1, 1958, to begin his military service. The 23-year-old GI

PEOPLE

A man has been ordered to stand trial Cunningham, a professor of English at for allegedly stalking and threatening Oxford University.

for allegedly stalking and threatening the "NYPD Blue" actress Andrea Thompson and her child. Gianluigi Assennato, of West Los Angeles will face

James Caan and his wife, Linda, have announced the birth of son Jacob Nicholas Caan, born in Los Angeles. It was the couple's second child.

The former Guns N' Roses drummer days in jail for beating two women and violating his probation from an earlier domestic violence conviction.

A four-year romance between Crown Prince Willem-Alexander of the Netherlands and an orthodontist's daughter is over, the nation's best-selling newspaper, De Telegraaf, reported, ending speculation that their engagement was imminent. The cause of the split between the 31-year-old prince and Emily Bremers, a com-

moner, was not disclosed.



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